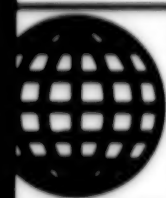


RS-CAR-90-027  
APRIL 1990



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# ***JPRS Report***

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# **China**

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# China

JPRS-CAR-90-027

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## GENERAL

### Major Developments Seen in USSR-ROK Relations

90ON0430A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 2, 23 Jan 90 p 7

[Article by Niu Geng (3662 5087): "Great Change in the Relation Between the Soviet Union and South Korea"]

[Text] During the last year, an important change has occurred in relations between the Soviet Union and South Korea. During the short period of eight months, from the mutual establishment of trade offices in April to the establishment in December of diplomatic relations on the consular level, the rapid developments in bilateral relations has come unexpectedly fast.

The Soviet Union got a more systematic idea of the economic strength of South Korea only about the time of the 1988 Olympics in Seoul. To overcome the "unfavorable impression" of being later than other socialist countries in improving relations with South Korea, the Soviet Union is now pursuing an overall policy of developing simultaneously "academic, cultural, sports, economic, and trade exchanges," and on the other hand still adheres to the method of "steady advances in small steps," taken with greatest care and without any arbitrary willfulness. During the Olympics, Soviet scholars and industrialists had frequent contacts with South Korean officials and representatives of South Korea's industry and commerce, and the Soviet Union's famous state ballet performed in Seoul. In October a large Soviet trade mission visited Seoul, and the two sides agreed to establish trade offices. In April 1989 the Soviet trade office officially started business operations in Seoul. In June the Soviet Union for the first time invited a South Korean politician, Kim Young Sam, leader of the opposition party in the Second National Assembly, to negotiate plans for increased bilateral relations. In July, diplomats of the two sides held a second round of negotiations in Moscow for the establishment of diplomatic relations on the consular level. In October, one of the members of Gorbachev's foreign policy "think tank," the director of the Research Institute for World Economy and International Relations of the Soviet Academy of Sciences, Notinov, had extensive contacts with high-ranking South Korean officials and indicated to the press that "the normalization of relations between the Soviet Union and South Korea will come earlier than people had expected." In November, diplomats from both sides held the second round of talks in Singapore and decided to establish official diplomatic relations on the consular level beginning on 8 December.

At the same time, the Soviets started to readjust their economic and trade relations with South Korea. According to statistics of the South Korean Ministry of Trade and Industry, trade between the Soviet Union and South Korea in 1988 amounted to \$278 million, which was an increase of 58.9 percent over 1987. Trade will

increase at an even faster rate during 1989; as of October, it already amounted to \$432 million. At the same time, economic and technical cooperation between the two sides has also developed very rapidly. Since last year, the Soviet Union has three times invited Chong Chu Yong, honorary president of the board of the Hyundai conglomerate, to the Soviet Union, and both sides reached agreements on a jointly financed trade center to be established in the Far East and on the joint exploitation of Siberian forest resources. According to official South Korean reports, since mutual diplomatic relations on a consular level have been formally established, and the signing of agreements on the protection of trade and investments is imminent, a general "Soviet craze" has newly arisen among industrial and commercial circles in South Korea. The large conglomerates, such as Hyundai, Samsung, and Lucky Kumsong, have established special teams to work on Soviet business affairs and plan to establish agencies in Moscow, Nakhodka in the Far East, and other such places. They plan, furthermore, to shift the focal point in economic and trade relations with the Soviet Union from trade cooperation, which currently predominates, to predominantly direct investments for the establishment of factories, now proclaiming "with great fanfare their invasion of Siberia."

In view of the present conditions on the Korean peninsula, the Soviet Union is adopting a very realistic attitude in the process of developing its relations with South Korea. Soviet authorities and academic circles have repeatedly indicated that Soviet policy toward the Korean peninsula "can only be based on the fundamental realization of the actual existence of two autonomous states on said peninsula." At the same time as the Soviet Union is developing its relations with South Korea, it is again assuring the DPRK that it will continue to develop the traditional friendly cooperative relations with the DPRK. As far as South Korea is concerned, the Soviet Union is repeatedly emphasizing the necessity for intensified economic and technical cooperation, and at the same time saying "that it is not interested in a relationship in name only, but wishes to have one of substance." Taking advantage of the mentality of South Korea, which regards the Soviet Union as the "ancestral land" of socialism, it considers improved relations with the Soviet Union to be of great significance in Korea's policy of "northern diplomacy." The Soviet Union also uses this as bait to get concessions from South Korea in many key questions. For instance, the question of establishing consular agencies had become a point of dispute in the bilateral negotiations. South Korea had proposed the establishment of regular consulates, but the Soviet Union did not agree to this idea. Finally, "a unique form, rarely seen" in international relations was finally adopted (to establish the consular offices within the trade offices of both sides, without any show of flags or outward signs, but still conducting all consular business). In this way a difficult and sensitive problem was solved. Dispatches by foreign news agencies say that in the

process of improving Soviet-ROK relations, in all matters the Soviet Union has very much the initiative, so that one may say that "the Soviet Union is leading South Korea by the nose."

## SOUTHEAST ASIA/PACIFIC

### Vietnamese Captives Claim Troops Sent to Cambodia

OW2003090990 Beijing XINHUA in English  
1905 GMT 19 Mar 90

[Text] Bangkok, March 19 (XINHUA)—Vietnam continues to enlist new recruits and send them into Cambodia to fight the Cambodian resistance forces, confessed three Vietnamese captives captured by the Cambodian National Resistance (CNR) recently.

The CNR issued the confessions of the three Vietnamese captives in a press release here today in which they testified how they had been sent into Cambodia and their military operations at the battlefields.

Le Quan Tien, second lieutenant, said he was enlisted into the Vietnamese Army in February 1985 and assigned to Battalion No. 4 of 9th Regiment of Division 339 in 1989 after spending two years at a Vietnamese Army medical school.

On February 12, 1990, he was sent from Don Thap to Cambodia along with 200 other Vietnamese troops in four boats, he said, adding that after arriving at the Cambodian coast, all the Vietnamese changed their uniforms into that of the Phnom Penh Army. After spending one night in Phnom Penh, they reached Banan on the bank of Sangke River about 10 kilometers south of Battambang City in northwestern Cambodia, and stationed there for ten days.

On February 25, his regiment was ordered to go to Battambang behind the lines of the 196 Division of the Phnom Penh Army to carry out mopping up operations against the CNR and he was captured by the CNR on March 2 this year at a village called Neang Len.

"The Hanoi leadership claimed it had withdrawn all the troops from Cambodia in September 1989, actually it withdrew only the injured, the handicapped, and the sick soldiers and those who had a low moral," he said.

Vietnam has not totally withdrawn its troops from Cambodia, Vietnam's true objective is to prolong its occupation of Cambodia, he said.

Joining the Vietnamese Army in September 1989, 20-year-old Lang Ngo Chau said he was specially trained in manipulating AK rifles, hand grenades, in searching, defusing and laying mines.

He said he was sent to Battambang in February this year from Ha Tien in South Vietnam together with 500 men.

After their arrival, over 1,000 Vietnamese troops from Divisions Four, 330 and 339 in Battambang City were ordered to recapture Pailin from the hands of the CNR, but their military operations failed and he was captured on February 27 this year during the fighting.

Nguyen Van Tam, a 28-year-old doctor of the Vietnamese Army assigned to Regiment 20 of the Heng Samrin Army Division 196, was also captured by the CNR in February this year at Kamphingpuoy, west of Battambang.

He said he was sent back again to Cambodia from Vietnam last December along with 2,000 Vietnamese forces, who are now stationed at Aur Pong [word indistinct], west of Battambang City.

He said that they were told that Vietnam was sending back its troops to Cambodia to protect the Cambodian people and Battambang City from being captured by the CNR.

While staying in Cambodia, he said, all Vietnamese forces were ordered to wear the Heng Samrin Army uniforms, to speak the Khmer language, to marry Khmer woman and merge with the Khmer population in villages.

At present, he said, Vietnamese military men who speak the Khmer language have also been hidden in the Phnom Penh administration in order to control the Phnom Penh administrative apparatus from top to bottom.

He also said that most of the Vietnamese troops in Cambodia belong to the Vietnamese 9th Military Region, but some of the military forces of the 7th Military Region have also entered into Cambodia.

## NEAR EAST/SOUTH ASIA

### SHIJIE ZHISHI Discusses Developments in Middle East

HK2903061190 Beijing SHIJIE ZHISHI [WORLD KNOWLEDGE] in Chinese No 5, 1 Mar 90 pp 12-13

[Article by Wang Qiwen (3769 0796 2429): "The Middle East Is Undergoing Profound Changes"]

[Text] As a result of the influence and impetus of detente in the international situation, the Middle East is undergoing profound changes. Wars and clashes, which have harmed this region for a long time, have been curbed and the various parties have to varying degrees accepted finding a political solution as the way. The main trend of development in the region has been the shift toward the elimination of differences, seeking conciliation, strengthening cooperation, and promoting development. Generally speaking, changes in the Middle East are manifested in five aspects.

### **I. Military Clashes Continue To Cool Off, the Danger of a New War Breaking Out Has Been Further Diminished**

In the Middle East, the most explosive issues have been the clashes between Iraq and Iran and between Arab countries and Israel, the civil war in Lebanon, and the problem in southern Sudan. At present, the truce between Iraq and Iran has been fortified and there has not been a serious case of disruption of the cease-fire. Most of the foreign warships have withdrawn from the Gulf, and the situation there has gradually calmed down. Both Iraq and Iran have spent their energy mainly on stabilizing internal conditions and rebuilding their economies, and it is unlikely that total warfare will break out in the near future.

Also, there has not been a major military clash between the Arab countries and Israel recently. This is because Israel has been tied down with the Palestinian uprising in the occupied territory and with intensified internal dispute within its ruling group. Furthermore, there has been a change in the balance of military power between Israel and the Arab countries, and Israel's capability to launch a large-scale military operation against Arab countries has fallen behind its desire. Therefore, the chance of an outbreak of another war between Israel and the Arab countries has reduced.

Generally speaking, the civil war in Lebanon and the armed clashes in southern Sudan between the government and anti-government forces have gradually subsided as a result of mediation carried out by various quarters.

### **II. Peace Talks Have Become Frequent, Consultation and Dialogue Have Become the Main Method of Resolving Internal and External Disputes Among the Countries of the Region**

Talks between Iraq and Iran have continued. Although both sides still have sharp differences regarding sovereignty over the boundary river and the delineation of a border, the door to talks has not been closed and various parties concerned have not ceased their efforts to mediate in order to eventually end the war between Iraq and Iran.

Recently, peace talks in the Middle East have been unprecedentedly frequent, and the Shamir scheme, Mubarak proposal, Baker proposal, Soviet plan, and European Economic Community plan have come out one after another while bilateral and multilateral activities among the parties concerned, such as the United States, the Soviet Union, Egypt, Israel, and the Palestinian Liberation Organization [PLO], have never ceased. The positions of the Arab countries on talks with Israel have become closer, while the PLO has adopted a flexible and reasonable attitude on the important political problem of admitting to the existence of Israel and engaging in direct talks with Israel; its position for peace talks in the Middle East has been fortified. Now, the problem of peace talks has been bottlenecked mainly by

the Israeli denial of the legitimate status of the PLO and by its refusal to hold talks with the PLO. But under great pressure from within and without, Israel is undergoing internal changes.

Although the civil war in Lebanon has experienced some twists and turns, generally speaking, a cease-fire has been arranged through mediation by the three sides of the Arab Committee. A general election was held and al-Hirawi appointed president. The situation has improved compared with an earlier period.

There has been mediation on the dispute in southern Sudan and the two feuding parties have begun a dialogue.

### **III. The Relations Between the Various Countries Have Generally Improved and a Trend Toward Regional Cooperation and Economic Bloc Formation Has Grown Noticeably**

After being excluded from the Arab League for 10 years, Egypt rejoined it in May 1989. This symbolized progress toward the elimination of differences and an increase in cooperation among Arab countries, while Syria and Egypt, which were at odds with each other for a long time, eventually restored relations on 27 December 1989. This kind of new development in the relations among Arab countries has strengthened their position for talks with Israel.

With generally improving relations, the five countries of northern Africa established the Arab Maghreb Union in February 1989, ending the long-term rivalry between Morocco and Algeria, and among various countries. This has created conditions for stabilizing the situation in the region, resolving disputes in Western Sahara, and developing the economy in every country.

In West Asia, at the same time, Egypt, Iraq, Jordan, and the Yemen Arab Republic also set up the Arab Cooperation Council, strengthened political coordination and economic cooperation.

In addition, in order to speed up the unification process, South Yemen and North Yemen have compiled the "draft unification constitution." Countries such as Iran and Libya have improved relations with neighboring countries. Various countries in the Middle East have tried to develop good relations and cooperate with neighbors, changing the past situation of tense confrontation and attack among themselves.

Along with the establishment of the Arab Maghreb Union, the Arab Cooperation Council, and the Gulf Cooperation Council, which was established in the past, there are already in the Middle East three organizations for regional cooperation comprising a majority of the countries in West Asia and northern Africa. This is the way some small and medium-size countries are adapting to the new situation in the world economy.

The strengthening of regional cooperation among Arab countries has given impetus to their dealings with the



outside world. In December 1989, foreign ministers from 12 countries of the European Economic Community and 22 member-countries of the Arab League held the first European-Arab meeting of ministers in Paris, making important decisions on restoring a dialogue and promoting cooperation between Europe and the Arab world, as well as adopting some concrete plans for economic cooperation and cultural exchange. Thus, it opened up new prospects for dialogue and cooperation between some south and north countries in the 1990's.

**IV. The Moderate Forces in the Region and Within Various Countries Have Become Prominent, While the Creation of a Peaceful External Environment for the Development of the Internal Economy Has Become the Top Goal for Various Countries**

The detente between the United States and the Soviet Union, and between the East and West, has enabled the influence of moderate countries such as Egypt and Saudi Arabia to further expand in the Middle East, and they have become the main forces for resolving regional disputes and determining future strategies. Radical countries such as Iran, Syria, and Libya could not but adjust their internal and external policies.

The moderate and pragmatic forces within various countries in the Middle East have been developing and have increasingly influenced the policies in their own countries. Various countries have paid more attention than before to increasing national strength and improving the people's lives. Therefore they have one after another adjusted their economic structures, worked hard to develop production, and have tried hard to establish and develop a peaceful and cooperative external environment.

The death of Khomeini has had a comparatively great impact on the political situation in Iran. Now the pragmatic school, with Hashemi Rafsanjani as chief, has seized power, and some radical policies followed by Iran in the past have been gradually corrected, while its relations with the United States and the Soviet Union have taken a turn for the better and its unfavorable position in the international arena has to some degree also improved.

Within the PLO, the moderates and pragmatists, with 'Arafat as leader, have further occupied the dominant position; with support from the absolute majority of the Arab countries, they have followed their adjusted, moderate policies in a more resolute manner, winning more and more support from the international community. Now, more than 100 countries have recognized the newly founded Palestinian state, and the United States, Britain, and France could not but engage in direct dialogue with it. Thus the PLO's position in Middle East peace talks has been continually strengthened.

**V. The United States and the Soviet Union Have Adjusted Their Policies in Hopes of Encouraging Peace Talks in the Middle East and Maintaining the Relatively Stable Situation in the Region**

Through senior-level contacts, the United States and the Soviet Union have arrived at an understanding regarding the peace process in the Middle East. The United States has changed its practice of excluding the Soviet Union in peace talks in the Middle East and no longer opposes the proposal to convene an international meeting on peace insisted on by the Soviet Union, while the Soviet Union no longer uses the PLO, Syria, Libya, and others to disrupt mediation by the United States in the Middle East. Last February, the Soviet Foreign Minister visited Syria, Jordan, Egypt, Iraq, and Iran, to consult with these countries on peace talks in the Middle East and bilateral relations; the problems were again discussed when he met 'Arafat and Israeli Foreign Minister Moshe Arens in Cairo. In April, the United States invited the Egyptian President, Israeli Prime Minister, and King of Jordan for a visit, and held several talks with the PLO in Tunis, persuading them to reduce their differences and realize a dialogue between Israel and the PLO, as soon as possible. The U.S. Secretary of State and Soviet Foreign Minister met in May and specifically discussed the Middle East problem to further coordinate their positions and promote peace talks.

In addition, the United States and the Soviet Union have consulted with one another on a solution to the conflict in Lebanon, the hostages problem, and the handling of relations with Iran in order to prevent new conflicts from arising.

The reduction of military conflict between the United States and the Soviet Union and the adjustments in their regional policies have had an important impact on the Middle East. Some countries, which have close ties with the United States or the Soviet Union, have realized that in the global strategies of the U.S. and Soviet Union, the status of the Middle East is declining; the importance of Israel, Syria, Libya and others has also declined, and they will receive less and less political support and military and economic aid from the United States or the Soviet Union. Since the United States and the Soviet Union have shifted their diplomatic attention to Eastern Europe, their concern for the Middle East problem has also lessened. In the face of this situation, the countries of the Middle East and the Arab states have adopted measures and have formulated development strategies for the 1990's.

Looking at the future situation in the Middle East, we can predict that the trend of detente will continue. However, the sources of tension in the region have not been removed. Under the influence of the international situation, new and complicated changes in the strategic pattern in the Middle East will still emerge.

### **New Indian Foreign Policy Lays Emphasis on Neighbors**

OW2603142590 Beijing XINHUA in English  
1318 GMT 26 Mar 90

[Text] New Delhi, March 26 (XINHUA)—The new Indian Government is in the process of reshaping India's foreign policy with greater emphasis on improving ties with its neighbors and increasing regional cooperation.

This was stated by Indian External Affairs Minister I.K. Gujral while inaugurating a familiarization program for foreign diplomats organized by the Foreign Service Training Institute (FSTI) here today.

Referring to relations with India's neighbors, he said the withdrawal of Indian peace keeping force personnel has happily closed a chapter in Indo-Sri Lankan ties. A new chapter could now begin.

India is trying to improve its relations with Nepal, and is trying to consolidate cooperation with the Maldives, Bhutan and to some extent with Bangladesh, he said.

Differences with Pakistan, he said, were ultimately a fallout of the 1947 division of the country. But he added that "any attempt to change established historical borders would only lead to internal and external problems".

Twenty-eight diplomats from 21 countries are attending the five-day "Introduction to India" program, which is being organized for the first time by the institute.

According to A.N.D. Haksar, dean of the FSTI, the program seeks to provide a short but comprehensive introduction by experts to the main features of governance in India, the social, cultural and historical background of the country and its economic development and international relations.

The FSTI was set up in 1986 to provide initial training to the Indian Foreign Service probationers.

## **WEST EUROPE**

### **Over One-Third in Western Europe Want NATO Replaced**

OW0604115590 Beijing XINHUA in English  
1038 GMT 6 Apr 90

[Text] Brussels, April 5 (XINHUA)—More than one third of West Europeans want NATO replaced as the pillar of security for Western Europe, according to a poll published today.

In the poll, conducted last December by the European Commission, 1,000 people were questioned in each of the 12 EC countries. Thirty six percent of them agreed that the EC should be "the most important forum of decision making for the security of Western Europe", while 30 percent thought NATO should retain this position.

Greeks, the French, Italians and Spanish were more favorable to an upgraded EC role, while most of the Germans and British give priority to the NATO.

### **Roundup Discusses Bonn's Diplomatic 'Offensive'**

OW0204105390 Beijing XINHUA in English  
0924 GMT 2 Apr 90

[XINHUA headline: "Roundup: Bonn's Diplomatic Offensive" by Weng Zhenbao]

[Text] Bonn, April 1 (XINHUA)—Federal Germany's statesmen are launching a coordinated political and diplomatic offensive in Europe aiming at clearing away external obstacles to German reunification and re-establishing the predictability of Bonn's policy.

The offensive is necessary before the coming "two plus four" meeting and European Community (EC) summit on German reunification because Federal Germany must carefully review its position on the issue so as to create a favorable external environment.

Britain and France, Germany's two neighbors that will officially be represented at the "two plus four" meeting, have borne the brunt of the offensive, followed by NATO and the EC, as well as other European organizations and conferences.

In order to impress the general public about the importance Bonn has attached to its exchanges and consultations with concerned countries and organizations on the issue, the Federal Government unprecedentedly issued a press release to give an account of the recent diplomatic activities pursued by Chancellor Helmut Kohl: at least 29 telephone conversations with leaders of both the East and West countries above the ministerial level.

With a much softened stand on the German-Polish border, Kohl has successfully allayed the fears of various parties concerned although differences on the problem between Bonn and Warsaw have still yet to be solved.

Meanwhile, Kohl, a cautious proponent of European integration, has recently appeared to be more tolerant, if not radical, towards the EC issue. He proposed to incorporate the German reunification into the process of the European integration and even pushed for an earlier than planned EC economic and monetary union apart from calling for an EC summit on the Community's political union.

To relieve fears of a "Fourth Reich," Kohl forwarded very concrete plans at the conference of the West European Union to dismiss the two military blocs and establish collective security system in Europe. He even offered to hand out part of Bonn's sovereignty in accordance with the constitution.

For all the merits Bonn has reaped in its recent diplomacy, it still faces many problems to be resolved. British Prime Minister Margaret Thatcher, who shows no objection to German reunification, has stood fast against the

European political union and wanted NATO forces and nuclear arms to remain in Federal Germany.

Besides, a lot more problems also need to be clarified as regards the impact the German reunification will have on the 12-member European Community. For this, a

special EC committee on the German reunification has drafted a plan to hold 27 sessions before the fall is over.

Therefore, it is right to say that the diplomatic offensive waged by Bonn has just triggered rather than ended a series of discussions, negotiations and consultations. And this time, in greater depth.

**Li Ximing Urges Support for Economic Reforms**

90ON0349A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 1, 5 Jan 90 pp 3-10

[Speech by Li Ximing (2621 6932): "Unify Knowledge, Inspire Enthusiasm, Comprehensively Implement the Central Committee Resolutions on Improvement of the Economic Environment and Rectification of the Economic Order and the Deepening of Reform"]

[Text] The 18 December 1989 Speech to the Eighth Plenary Session (Expanded) of the Sixth Beijing Party Committee

The major topic of this plenary session of the city party committee is to further study and, acting in the spirit of the Fifth Plenary Session of the 13th CPC Central Committee, to consider the "views on implementing the Central Committee resolutions on further improvement of the economic environment and rectification of the economic order (henceforth, improvement and rectification) and the deepening of reform" raised by members of the standing committee, and to discuss the arrangement of next year's economic work.

After the Central Committee Working Conference and the Fifth Plenary Session, we first held a city party committee meeting to pass on information. This was followed soon afterward by the convening of meetings involving the major regional, county, bureau, company head office, high-level educational institution, and some industrial enterprise leading cadres (responsible people), to pass on the spirit of the Fifth Plenary Session, integrate theory and practice and launch discussion. Everyone unanimously endorsed the Central Committee "resolutions on furthering improvement and rectification and deepening reform," supported the Plenary Session "resolutions agreeing to the departure of Comrade Deng Xiaoping from the Central Military Commission [CMC] chairmanship," and supported the Plenary Session resolutions to install Comrade Jiang Zemin as chairman of the Central Military Commission, Comrade Yang Shangkun as first deputy secretary of the CMC, and making other relevant personnel changes.

Everyone believes that the "resolutions on furthering improvement and rectification and deepening reform" worked out at the Fifth Plenary Session, the thorough analysis done of the current economic situation, the comprehensive summing up of the experience and lessons of 40 years of economic work, and the clarifications advanced for the policies and measures associated with further improvement and rectification and deepened reform will give impetus to China's economic development and to the major strategic decisions associated with reform. Everyone believes that this programmatic document will guide us in overcoming the present economic difficulties and ensure the steady, stable, and coordinated development of our socialist economy and that it must be studied further and resolutely implemented.

Everyone highly valued the outstanding contributions made by Comrade Deng Xiaoping to the cause of China's revolution and construction, and considers that the act taken by Comrade Deng in stepping down from his official posts while still healthy, in order to carry forward the party's task and forge ahead into the future and provide for a long period of peace for the country, reflects the lofty moral character and breadth of vision of a proletarian. This act not only abolishes the practice of lifetime tenure for leading cadres, but will also have a profound effect on the international communist movement. Everyone expressed the need to conscientiously study the works of Comrade Deng, giving full play to the guidance function of this spiritual treasure in the future modernization and construction of socialism.

During the study and discussion, everyone held the view that the decisions to make Jiang Zemin the core of the new central collective leadership, to firmly implement the party's basic line and, after stopping the turmoil and suppressing the counterrevolutionary rebellion, to make a number of major decisions to rapidly stabilize the situation will strengthen the building of the party, will begin to restore and carry forward the party's fine tradition, and will bring about the gradual solution of the problems of common concern to the masses. Practice has shown that the work of the new central collective leadership has been highly effective, has enjoyed tremendous popular support and can be fully trusted. We must further closely unite around the party's center while taking Comrade Jiang Zemin as the core, firmly and unshakably carry out the spirit of the Fifth Plenary Session, strive to achieve the tasks and goals of the Central Committee resolutions for improvement and rectification and the deepening of reform, and push forward the cause of constructing socialism.

In order to implement the Central Committee resolutions, the city party committee, the city government, and the leading comrades in every department have conducted fact-finding investigations on the current economic work for the city of Beijing. On this basis, the members of the standing committee have come up with the document "View on Implementing the Central Committee Resolutions Concerning the Furthering of Improvement and Rectification and the Deepening of Reform," for the consideration of this plenary meeting. Now I will discuss some problems of ideological understanding associated with the implementation of the Central Committee resolutions, and talk about some of the views expressed.

1. Thoroughly consider the present economic situation, firmly and unshakably implement the policies of improvement and rectification and the deepening of reform.

A proper consideration of the situation is the foundation for formulating policies and posing tasks, as well as being the prerequisite for promoting proper handling of improvement and rectification and the deepening of reform. In terms of the present economic situation and



the necessity for improvement and rectification, the Central Committee resolutions and the speeches of Comrades Jiang Zemin and Li Peng have brilliantly expounded and clearly pointed out the need to scientifically analyze the present economic situation, for example, in appraising difficulties and in looking at favorable conditions, while being firmly confident of victory and inspiring enthusiasm to forge ahead.

During the last year of administrative reform, particular attention has been given to the study of the documents of the Fifth Plenary Session of the Central Committee, and the understanding of cadres at all levels concerning the situation has been raised. However, among some cadres and the masses, and especially among some leading cadres, some questions remain in terms of understanding the necessity and urgency for improvement and rectification. This is because, on the one hand, there are those who are unrealistically optimistic, and consider it unlikely that things are so severe; and on the other hand, there are those who are excessively pessimistic, who feel quite helpless in dealing with the difficulties facing us. If these problems of understanding are not solved, it will be difficult to implement the Central Committee policies for improvement and rectification and the deepening of reform.

There are some comrades who point out that 10 years of reform and opening have achieved tremendous successes, and so question the need for using the next three years for conducting improvement and rectification.

Over the 10 years of reform and opening, it is universally acknowledged that national economic strength has been markedly strengthened, urban and rural living standards have distinctly improved, and in many enterprises great success has truly been achieved. Looking at the situation of Beijing, in the 10 years from 1978 to 1988 the overall city domestic total output value increased by 50 percent, income grew by 30 percent, the living-expense income of all the inhabitants of cities and towns went up 160 percent, and the net income of peasants jumped 270 percent. All the residents of the city, as participants in and beneficiaries of the construction of the capital and the reform policy, have been directly affected by the successes we have achieved. Yet, we must view the situation soberly, because China has also accumulated many difficulties due to a number of years where we have had an overheated economy. Primary among these difficulties are that overall demand exceeds overall supply, and excess distribution of national income is growing in intensity. In 1984 excess distribution was six percent, while in 1988 it amounted to 16 percent; currency exceeds economic issue, and inflation has worsened; foreign debt has increased unduly rapidly and the repayment burden has become quite heavy. At the same time, the major ratio relationships of the national economy have become unbalanced. The industrial structure is not efficient; while the general increase in industrial growth has expanded sharply, redundant construction and redundant production are becoming more and more glaring. Development has slowed in agriculture, in

the basic industries, and in the communication and transportation industries, and reserve strength is seriously inadequate. Due to the fact that authority has been excessively decentralized, macroeconomic regulation and control have been weak, and certain segments of society have benefited unduly, and individual imbalances have emerged, resulting in confusion in the economic order and unfair distribution, encouraging high levels of consumption and leading consumption. The expansion of investment requirements and consumption requirements of these years was sustained largely by relying on living off capital and receipts and running up domestic and foreign debt.

The problems associated with Beijing's economic development are also quite serious, as the problems associated with an overheated economy exist here also. The scale of investment in fixed assets far exceeds the level that financial resources and material resources can support. The construction of the city's basic facilities has had difficulty keeping up with the scale of the rapid expansion in construction. For several years in succession the expansion of consumption funds has exceeded national income and the increase in labor productivity. Due to rises in prices, the pricing system has become irrational, and financial subsidies have increased sizably from year to year, to such a degree that they are already becoming difficult to sustain. Economic efficiency is low in the areas of production, construction, and circulation, and the phenomenon of waste is serious. This situation cannot continue.

These problems and difficulties associated with national economic development have accumulated for a number of years. The solution to these problems will require great determination, and the expenditure of a tremendous amount of effort, even so far as to require paying the price of conducting improvement and rectification. If we do not pose the problems and understand the problems in this manner, or resolutely implement the policies on improvement and rectification and the deepening of reform worked out by the CPC Central Committee, China's economy will be incapable of getting out of this predicament, and will be difficult to stabilize. If the economy is not stabilized, it will certainly influence the stability of the government and the stability of the society. For this reason, improvement and rectification is certainly not an expedient measure, and it cannot be avoided or delayed. Our leading comrades at all levels must pay attention to preventing and overcoming tendencies to underestimate the difficulties, adequately consider the importance and urgency of improvement and rectification, and firmly and unshakably carry out this improvement and rectification.

There are some comrades who, in the face of recent circumstances such as the weakening of the market and the rapid drop in the pace of industrial growth, do not understand the new problems and have doubts about the continued implementation of the improvement and rectification policies.



On the heels of one year of improvement and rectification, the overheated economy has begun to cool, and improvement and rectification has achieved initial success. However, some new situations and new problems have emerged in the process of improvement and rectification, outstanding among them the weakness of market sales and the excessive drop in the pace of industrial growth. These problems require concrete analysis and must be handled conscientiously. The drop in the pace of industrial growth is caused by such normal factors as the cutback in the scale of investment in fixed assets and control of the excessively high rate of development. But the commodity structure and the industrial structure are not efficient (rational), the quality of some commodities is low, many products are dull and unappealing, and unsuitable marketing for meeting a need is also a contributing cause. During the process of rectification, reducing the pace of industrial development is required, but it is definitely necessary to stop the emergence of an excessive drop and an economic slide. Under the conditions of retrenchment, we must work hard to maintain an appropriate degree of economic expansion, and we must not lower our guard. Generally speaking, if an economic slide occurs, effective supply will not be maintained, revenue will not increase, and not only will the material base for controlling inflation and stabilizing prices be lost, but the situation may also be accompanied by social shocks, and improvement and rectification will become difficult to carry out successfully. All levels of leadership must give this question a great deal of attention. The weakness of market sales is due to the effects of economic improvement and rectification measures such as the reduction in demand, control of group consumption, the increase in bank deposit interest rates, and the preservation of the value of savings. There is also the delayed effect of last year's panic buying. In addition, at present the increase in prices is tending to slow down and the public remains calm. Furthermore, this has something to do with the fact that the masses have been safeguarding their assets by switching from buying goods to saving money. At the same time we must still not lose sight of the fact that the management and administration, the service quality and opening of markets of some commercial departments has not yet adapted to the environment of retrenchment. The causes of this are not easily overlooked. It is necessary to have a thorough understanding of the present market situation, because we must see the parts, namely, the aspect of weakness in commodity sales, and we must also see that in general there is still a huge gap between existing commodities and latent purchasing power. We must strive to improve our work, and we must become skilled at seeking out favorable areas and opening new prospects in an environment of retrenchment.

We should understand that in the process of improvement and rectification some difficulties and problems will emerge. Though it is difficult to completely avoid this circumstance, we can by no means let it allow us to vacillate in our determination to carry out improvement and rectification. If we hesitate and waver when we

encounter difficulties, all our previous efforts in improvement and rectification will have been wasted, and it will be difficult to get the economy onto the right track. In terms of this problem, we have already learned a profound lesson. In the last half of 1984, due to overheating of the economy, we lost control of currency issuing, and in 1985 we had no choice but to carrying out retrenchment. But in the early part of 1986, due to the slackening pace of industrial growth, in the midst of calls for tightening things up, the money supply was loosened. The result was inflation. In the fall of 1987, we had no choice but to retrench once again, and propose policies for both fiscal and monetary (credit) tightening. Early in 1988, again due to the anxiety over the drop in the pace of production, we abandoned the retrenchment policy, and therefore there was also a substantial issuing of credit. The result was to unleash the most serious inflation since 1952, producing panic buying and runs on banks throughout the country. Now, the improvement and rectification policies are also at a critical point. We certainly must remember the two instances of previous retrenchment, and the lessons of losing control both times, and we certainly cannot walk the old road of "retrenchment followed by outcry, outcry followed by loosening, loosening followed by inflation." We must firmly and unshakably carry forward improvement and retrenchment, and we cannot give up halfway through.

There are still some comrades who view the economic situation with excessive severity and see no favorable conditions. This produces fear of difficulty.

Marxist dialectics tell us that the longer one finds oneself in a disadvantageous position, the more one must look for favorable conditions; the longer one finds oneself in difficulty the more one must look for promising conditions. Difficulties can bring pressure to bear on us, but at the same time can also bring opportunity. The leadership skills and wisdom of leaders is brought out with special force when difficulties are encountered and it is revealed whether they possess the courage, daring, and resolution to meet these difficulties, and whether they have the wisdom and ability to unite large numbers of people in overcoming difficulties. We must take basic areas of work and free them up to give full play to subjective initiative, arouse the enthusiasm of the masses, pool the wisdom and efforts of everyone, unite as one, and overcome difficulties. At present, in the socialist education being launched in suburban and rural areas and in the general broad discussion being launched in the industrial system on how to make it through this difficult period, all the leading cadres and masses must correctly understand the economic situation and thoroughly carry out the critical measures of the improvement and rectification and deepening of reform policies. The leading cadres and staff of significant numbers of enterprises are not sitting back and waiting for external conditions to change, but are changing pressure into motive power, energetically going into action, looking inward, creating conditions, striving for existence in the midst of difficulty, striving for development in the midst of retrenchment, and making every effort to improve management

and expand production, and they have achieved good results. There are some industrial enterprises that have actively adjusted their product structure and opened up suitable markets for products to meet needs, worked hard to develop domestic and international markets, and extricated themselves from a difficult position. There are some business enterprises that have gone out of the store and delivered goods to factories and villages and taken steps to develop sales methods such as selling on credit. These efforts have helped circulation and expanded sales. The facts prove that the problems emerging in the process of improvement and rectification can be solved only by adopting a positive attitude and pressing forward in the face of difficulties.

It should be noted that the difficulties we are presently encountering are occurring under conditions of tremendous development in the national economy and a marked increase in people's living standards and are difficulties of progress. Compared with the periods of the early sixties and the Cultural Revolution, the present difficulties seem small. It should be noted especially that there are many favorable conditions for overcoming the difficulties presently facing us. One is that we have built up the country for 40 years; in particular we have the material base created by the last 10 years of reform and opening, and our ability to endure and our room for maneuver are both greater than at any time in the past. The second condition is that, after having undergone a 10-year period of reform, enterprises have vitality, and also have accumulated a certain ability to absorb and cushion the shocks that have accompanied adjustment. The third condition is that, having undergone the improvement and rectification of the last year, the understanding of cadres and the masses has been raised, beneficial experience has been gained, and a good beginning has been made. The fourth condition is that, after the suppression of the counterrevolutionary rebellion, popular feeling is calm, popular feeling is stable, and containing inflation, holding price increases in check, and stabilizing the national economy are the shared desires of the people. In terms of improvement and rectification and the deepening of reform, broad masses of people support these policies. The fifth condition is that we have made Comrade Jiang Zemin the core of the resolute leadership of the party center, and the party center has correct policies toward improvement and rectification and the deepening of reform. As long as we fully understand these conditions and are adept at grasping and adequately utilizing them, we will surely be able to overcome the difficulties facing us.

## 2. Proper understanding and handling of the relationships between improvement and rectification, and the deepening of reform.

The CPC resolutions clearly point out that we must properly understand and handle the relationships between improvement and rectification on the one hand and the deepening of reform on the other. The two must not be separated or set in opposition. Hostile foreign forces and domestic elements, stubbornly clinging to a

bourgeois liberalist stance, attack our conduct of improvement and rectification as a triumph of the "conservatives," as the failure of reform, and as a step backwards. In reality, what they call "reform" is the desire for economic privatization, political pluralization, and the abolition of the leading role of the Communist Party, in other words, having China take the capitalist road. We must expose and counter the falsehoods used in attacking improvement and rectification. There are some comrades among us who also are somewhat confused about the relationship between the policies of improvement and rectification on the one hand and the deepening of reform on the other. Some ask whether improvement and rectification can effect reform, and whether it is necessary to reform, some wonder if, although now we are stressing macroeconomic control and appropriate centralization, it will be necessary to return to the old road. With regard to these worries and doubts, we should be clear in terms of ideology (principles), otherwise the various tasks of improvement and rectification will be very difficult to successfully complete.

First, we must understand that the goals of improvement and rectification, on the one hand, and the deepening of reform, on the other, are identical. The reform we are carrying out is the self-perfection of socialism and is the motive mechanism required for furthering the establishment of the integration of the planned economy with market adjustments. The goal of reform is the maintenance, stabilization, and coordinated development of the national economy. Improvement and rectification are the policies and measures that have been adopted to deal with problems that have arisen in the course of present economic work, such as the fact that overall demand exceeds overall supply, that there is an imbalance in major proportional relations, that inflation has been aggravated, and that there is confusion in the economic order. The goal of improvement and rectification is also the maintenance, stabilization, and coordinated development of the economy. Both improvement and rectification and the deepening of reform are being used to develop the social productive forces even further and to construct socialism with special Chinese characteristics. Both in terms of ideological understanding and engaging in practical work, we must pay attention to properly integrating and coordinating the two, and we cannot either separate them or set them in opposition.

Second, improvement and rectification by no means imply the slowing down of reform, and it is not a fact that reform is not required. Reform and opening have set us on a path for strengthening the country and a basic national policy. We cannot waver from this priority. Improvement and rectification are carried out under the prerequisite of the overall priority of adhering to a policy of reform. The Central Committee resolutions, at the same time as they pose the goals of improvement and rectification in terms of the six aspects of price, currency, finance, rate of development, economic structures, and macroeconomic regulation and control, also point to the

seven aspects of reform, which include the need for gradual perfection of the enterprise contract system, and of the financial, banking, foreign trade, goods and materials, price, and planning systems. As this makes abundantly clear, improvement and rectification require reform. Reform is a wholly new undertaking, and requires the exploration and the blazing of new trails in the course of real practice. During the process of reform, problems will emerge that are difficult to completely avoid. For this reason, in the period of improvement and rectification, as well as in the overall process of reform, it is both necessary and proper to take measures for the conduct of appropriate adjustment, replenishment, and improvement. This is done for the healthy development of reform, and is by no means unessential to reform. At the same time, we must also see that the many demands of improvement and rectification require that reform play a cooperative role, as there are some improvement and rectification measures which in themselves are real steps in the deepening of reform. In the process of improvement and rectification, we must gradually perfect each reform measure, while at the same time paying attention to the continuity of the reform policies. Reform measures have already been implemented in every sphere, and that all be subjected to the proof of practice is proper, while none can be casually altered, lest it give rise to fluctuations and cause setbacks.

Third, at present we must concentrate our energy in carrying out improvement and rectification, and reform must benefit this process and center on it. In the process of improvement and rectification, the implementation and perfection of every reform measure must benefit the realization of the goals of improvement and rectification, must benefit the strengthening of macroeconomic regulation and control and appropriate centralization, while at the same time it must benefit the mobilization of enthusiasm for each aspect. In the last few years, the reform of the old management system and the transfer of authority to the local and enterprise level have had a positive effect in terms of arousing such enthusiasm and development of the productive forces. However, due to the high degree of decentralization and low degree of centralization, macroeconomic regulation and control has weakened, and this has resulted in the phenomenon of confusion in economic activity. Interests and concerns have become too localized and slanted toward immediate and personal interests. The primary content of the improvement and rectification policies is the appropriate centralization of authority and the strengthening of macroeconomic regulation and control. We must speak clearly to cadres and the masses about the fact that it will also be difficult to maintain the prosperity of the parts without essential centralization and the stabilization of the overall economic situation. For this reason, when carrying out the reform measures associated with such things as enterprise contracts, foreign currency reserves, and financial responsibilities, we must all put ourselves in the proper relationship to the country, the collective, and the individual. Of course, appropriate

centralization and strengthening of macroeconomic regulation and control does not also mean the death of the new local and enterprise management. If there is no local and enterprise enthusiasm, then it will also be difficult to ensure that the overall situation benefits. We must bear in mind the lesson of "release leading to chaos, chaos leading to supervision, and supervision leading to death," and properly handle the relationships between centralization and decentralization of authority, regulation and control at the macroeconomic level and release from constraints at the microeconomic level.

3. Firmly establish guiding principles for the long-term, sustained, stable, coordinated development of the national economy

After the founding of the country in 1949, the success of China's economic construction attracted worldwide attention, and the pace of development far exceeded that of the major capitalist countries of the West. However, we must view the situation in a clear-minded manner. China's economic development has experienced many fluctuations, and there have been many major ups and downs. The greatest rise and fall was between 1958 and 1962, and there was another between 1977 and 1981. This time the fluctuation began in 1987, and has had a significant influence. The rate of industrial growth of Beijing City has been the same as that of the country as a whole, and there have also been problems of major ups and downs. Sometimes the range of rises and falls have been more severe than for the country as a whole. The facts indicate that each time there has been a major economic upturn or downturn, it has been due to the fact that there has been too great an investment in fixed assets, while energy resources, raw and processed materials, and transportation have been in short supply overall. The industrial structure has been imbalanced, economic efficiency has dropped, and financial deficits and inflation have emerged. In the end we have been forced to carry out readjustment, which has caused enormous economic loss and also seriously damaged the enthusiasm of both cadres and the masses.

In order to maintain sustained, stable, and coordinated economic development we must conscientiously summarize and bear in mind the experience and lessons of the past. In the process of constructing socialism, the first generation of proletarian revolutionaries of our party never stopped emphasizing the guiding principles of long-term, sustained, stable, and coordinated development of the economy, and the necessity to avoid major ups and downs in economic development. However, it has not been possible to implement these guiding principles in a continuous manner. The major reasons for this are that, first, for many years now we have gone somewhat too fast in the task of socialist modernization, and though much has been handled well, it has been divorced from the conditions of the country and the conditions of the cities, and has been beyond the capability of the country and the cities, as people became impatient for success and became impetuous. Second, going against objective economic laws, we neglected



overall balance in economic development, sometimes even going so far as to view overall balance as being a "right deviation," and being "conservative." Third, for a long period of time, we have been focusing on the speed of economic growth but neglecting the overall effort in tapping latent internal potential to raise economic efficiency. In recent years, this situation has changed to some extent, but it has not been fundamentally turned around. Fourth, in revamping reform, all regions and departments have been competing in expanding the scope of investments for their own local interests. This blind investing had resulted in continuous duplicate construction and duplicate importing. The existence of these problems has meant that our economic work has been unable to extract itself from the passive situation of "expansion followed by retrenchment, repeated expansion followed by repeated retrenchment." Looking back and summarizing the experience and lessons of the past, we find that we must firmly establish guiding principles for having sustained, stable, and coordinated economic development. Whether we are talking about the period of improvement and rectification or the period after the tasks of improvement and rectification have been completed, we must not be divorced from the conditions of the country, go beyond the capabilities of the country, become impatient for success, or, in desiring change at too rapid a pace, in fact slow it down.

In implementing policies for long-term, sustained, stable, and coordinated development, we must respect objective economic laws, coordinate the relationships between the branches of the national economy, maintain an appropriate degree of economic growth, and resolutely give major importance in economic work to increasing economic efficiency.

When working out a plan, we must start from reality, and do strictly what is within our capabilities while living within our means. We must leave no gaps, and raise the quota at each level. We must make great efforts to achieve a balance in finance, credit, materials, and foreign exchange, in order to create beneficial conditions for the healthy and coordinated development of the national economy. A task of top priority is, in accordance with industrial policies and the special characteristics of the capital, to make a determined effort to adjust the commodity structure (product mix), the industrial structure, and the structure of enterprise organization, in order to propose a commodity structure adjustment plan and industrial structure adjustment program as quickly as possible. A list must be drawn up of the products and enterprises that should be maintained as is and those that must be brought under control. It is especially important in terms of enterprises where the production tasks are inadequate, where production has ceased, or where production has been cut in half, that departments in charge of the work take account of their special strengths and analyze each in turn in order to propose realistic methods for solving problems.

The lack of economic efficiency, which is one of the major problems we must deal with in our economic

work, is also a major factor which affects the sustained, stable, and coordinated development of the national economy. According to statistics, the overall city independent business accounting industrial and enterprise capital profit tax rate was 35.5 percent in 1985 and 30 percent in 1988, a drop of 5.5 percentage points. The retail sales expense rate was 8 percent in 1985 and 9.4 percent in 1988, an increase of 1.4 percentage points. From 1986 to 1988 the city's overall industrial investment in fixed assets increased by an average of 24 percent per year and the average yearly profit increased by only 12.1 percent. This problem must be given significant attention. Of course, the causes of this phenomenon are quite complex. During this period everyone also worked very hard, and work was greatly improved. However, we must recognize that the lack of economic efficiency has not been fundamentally solved. We must take advantage of the opportune time provided by the policies of improvement and rectification and resolutely put great effort into increasing economic efficiency. All enterprises should keep an eye out internally, tap potential domestically, develop in depth the "two increase and two savings" movement, reduce costs, cut consumption, increase quality, increase the variety of products, cut expenses for using government funds, and catch up to and surpass domestic and international advanced levels in terms of economic efficiency. We must put the goals and measures associated with improving economic efficiency in concrete terms, implement them at all levels, and take economic efficiency as the primary criterion in assessing the success or failure of all levels of leadership and enterprise work. To increase economic efficiency we must rely on scientific management, on being skilled in management, and on technological progress. We must especially rely on improving the quality of people. We must energetically strengthen the political, technical, and professional training of staff and workers. In particular, enterprises that are operating under capacity or that have stopped production must, at the same time as they actively seek a way out, also devote energy to training staff and workers and must not let things drift.

4. Keep up the fine tradition of plain living and arduous struggle, and maintain a strict life style for several years.

The Fifth Plenary Session called on the whole party and the whole nation to keep up self-reliance and the fine tradition of plain living and arduous struggle and be determined in maintaining a strict life style for the next several years. This is a demand made by the Central Committee on the whole party and the whole nation in view of the national situation and the difficulties presently facing the country. All levels of party organizations and all party members must increase their understanding of this question in terms of principle, while conscientiously carrying it out in practice and setting an example for the masses.

The need for plain living and arduous struggle and maintaining a strict life style are determined by China's basic national situation. China has a large population

and had a poor foundation to start with. The area of cultivated land is small and the productive forces have a low level of development. This basic national situation has determined the fact that in building China into a modern, powerful socialist country, we must rely on our own strength and arduous struggle, and this can be realized only through the unremitting efforts of several generations. Arduous struggle is representative of the moral excellence of the Chinese people and is also the fine tradition of our party. No matter whether during the years of revolutionary war or during the peaceful period of construction, every victory that we have achieved has relied on the whole party and the people sharing the comforts and hardships and engaging in arduous struggle. During the revolutionary war period, we relied on arduous struggle and defeated the enemy blockade against the revolutionary base areas, overcame repeated difficulties, defeated Japanese imperialism, vanquished the Kuomintang reactionaries, and built a new, socialist China. After the liberation of the entire country, confronting a country left devastated and in shambles by the Kuomintang, we also relied on a struggle by the whole party and all the people involving extreme hardships and difficulties, and were able to defeat the imperialist blockade, overcome difficulties created by natural and manmade disasters, and tentatively lift China from a state of "poverty and blankness," making China into a great socialist nation standing tall in the East. It may be said that self-reliance and arduous struggle are cherished traditions in our efforts to overcome difficulties and cannot be discarded during the period of the construction of socialism. However, for some time, we have said little about plain living and arduous struggle, interest has flagged in maintaining an atmosphere of hard work and thrift, and there are some who, despite the national situation, go so far as to advocate "free spending" and high consumption. In society there is a growing tendency for people to go in for ostentation and extravagance and to parade their wealth, and an unhealthy atmosphere of luxury and sumptuousness has emerged. Some people even ridicule hard work and thrift, hard work and plain living as "ossified," "conservative," and "foolish." This tendency is extremely harmful to socialist modernization and must be resolutely overcome and corrected.

Undertaking arduous struggle and going through a period of strict living are urgently needed in order to overcome the economic difficulties presently facing us. The economic situation we face at present is very serious. We must solve new problems that have arisen in the process of improvement and rectification. The economic sanctions applied against China by the Western capitalist countries have further increased our difficulties. Facing this situation, there is a special need for our whole party and the entire nation to foster a sense of national self-esteem, self-confidence, self-reliance and improvement, and to arduously struggle and overcome difficulties.

For the need to undergo several years of strict living, first, we must continue to maintain tight financial and

credit policies, and strictly control the scale of investment in fixed assets, particularly in terms of nonproductive structures such as restaurants and hotels, which must be kept strictly under control. Second, we must continue to control the purchasing power of social groups, control the expenditures of organizations, enterprises, and institutions, and resolutely overcome the tendency toward extravagance and waste, and luxury and ostentation. Third, we must continue to restrain high and excessive consumption and to increase people's living standards by truly establishing them on a basis of increased labor productivity and the development of production.

At present, there are some among the masses whose thinking is not sufficiently prepared for undergoing several years of strict living. Some worry that undergoing strict living could influence the fulfillment of contracts, some worry that undergoing strict living will mean they have to "eat steamed bread and pickled vegetables." We can clearly state to the masses that undergoing strict living will by no means require a general reduction in urban or rural living standards, and certainly will not be strict to the point of having to eat steamed bread and pickled vegetables. However, it must also be clearly put to the masses that undergoing strict living also implies that the level of growth in staff and worker income and consumption cannot be as great as it has been in the last several years. Over the last several years our increase in living standards has outstripped the increase in production, and this is unnatural, hence appropriate retrenchment is also necessary. From now on, increases in wages and bonuses must be established on the basis of the development of production and the raising of efficiency. In terms of enterprises that have fulfilled the contract quota, contracts must be fulfilled, and wages and bonuses should be issued as before. However, enterprises should not be eliminated due to a poor management situation, rather the wages of staff and workers can all be reduced and income cut. The hope is that large numbers of staff and workers can understand the country's difficulties and, proceeding from the overall situation, help the country to overcome and solve its problems.

While undertaking arduous struggle and undergoing a period of strict living, leading cadres at all levels must set an example. We must start with the city party committee and the city government leadership and with the city party committee and the city government organizations. Everything that lower-level and grassroots organizations are required to achieve must first be achieved by leading organizations. At present, in agencies, organizations, and institutions, the phenomenon of waste is also quite serious, and the potential for economizing is very substantial. We must continue to cut administrative costs and outlays, and money which may either be spent or not should be strictly saved. Leading party and government cadres at all levels must be honest in performing their official duties and exercise strict self-discipline. Those who seek private gain at public expense, who use their official authority for private gain, who are extravagant

and wasteful and squander the country's assets must be sought out and strictly punished. Among large numbers of party members and the masses we must vigorously promote a spirit of respect; in society as a whole we must create an atmosphere where thrift is honorable and waste is disgraceful, where every penny (fen), every gram (liang) of grain, every kilowatt hour of electricity, every drop of water is cherished, and the property of the country and collective is cared for, in order to create and accumulate wealth for socialism.

5. Strengthen the party's leadership in improvement and rectification and the deepening of reform.

Strengthening the party's leadership, since it is the essential guarantee for the completion of the tasks of improvement and rectification and the deepening of reform, also is the key to overcoming difficulties and extricating us from the present economic predicament. Party organizations at all levels throughout the city must give full play to our political predominance, make great efforts at strengthening ideological and political work, earnestly strengthen leadership, and properly handle each item of work associated with improvement and rectification and the deepening of reform. To this end, several requirements are laid out as follows:

First, in the process of improvement and rectification and the deepening of reform, party organizations at all levels must progressively raise their fighting power and give full play to their function as the political core. They must firmly and unshakably guide party members and the masses, and genuinely and truly implement the Central Committee resolutions concerning the progress of improvement and rectification and the deepening of reform and the views of the city party committee on carrying out the Central Committee resolutions. Party committees, party grassroots organizations, and leading cadres at all levels must strengthen organization and discipline and firmly adopt an overall point of view. Beijing is one part of the whole country, and if the situation of the country as a whole is good, it will benefit each of Beijing's development tasks; whether work in Beijing is handled properly also can produce an effect on the country as a whole. Therefore, in handling affairs and in thinking about problems, we must start from the overall situation of the country and the overall situation of the city, maintaining party and government authority, resolutely overcoming decentralism, departmental selfishness, and the tendency for each department to do things its own way, and do what it thinks is right, so as to genuinely achieve a situation where when a command is issued it is implemented and when something is prohibited it is stopped. We must eliminate obstructions and impediments to improvement and rectification and the deepening of reform. In the process of carrying out the Central Committee and party committee resolutions, they must be carried out to the letter, and one cannot refuse to implement something on the excuse that it is "peculiar," much less can one feign compliance and do what suits oneself. Conduct that emerges in the process of improvement and rectification and the deepening of

reform and that is damaging to the overall interests of this process must be strictly punished. Party discipline and national law must be enforced on those who violate party discipline and break the country's laws.

Each task associated with improvement and rectification and the deepening of reform must be implemented through work at the party's grassroots-level organizations. At present, we must especially stress the proper building of the party's grassroots organizations and give full play to the function of the party as a fighting force. The party committee of each district, county, bureau, company head office, and institution of higher education must determinedly and forcefully take proper charge of the development of grassroots party organizational principles, organization, and style of work at all levels. The resolutions of the seventh session of the sixth Beijing party committee concerning strengthening party building and ideological and political work must be properly implemented. When encountering difficulties, only if the party's grassroots organizations are properly constructed can we hold out when the first sign of trouble emerges.

Enterprises must continue to pursue the factory director and manager responsibility system. Enterprise party organizations must give bring their guarantor and supervisory powers into full play, give the factory director and manager a free hand in their work, and boldly exercise their functions and powers. The factory director and manager must on their own initiative rely on the party organization to develop their work, and bring the functions of staff representative unions and labor unions into full play. The party committee secretary and the factory director must mutually support each other, be mutually understanding, cooperate closely, unite wholeheartedly, and properly handle all the tasks of the enterprise.

Second, we must conscientiously improve leadership style. In completing the tasks the Central Committee has posed for improvement and rectification and the deepening of reform, in the final analysis we must rely on the enthusiasm and creative spirit of large numbers of party members and the masses, we must rely on the wisdom and strength of large numbers of cadres and the masses. Leading cadres at every level must go deep into the realities of life, go down to grassroots units, go down to the masses, do fact-finding and research in a down-to-earth manner, and together with large numbers of cadres and the masses discuss and solve real problems in improvement and rectification and the deepening of reform. Leading organizations and leading cadres at all levels must progressively establish an ideology geared to the grassroots and for service to the grassroots, be genuinely eager to help meet the needs of the grassroots levels and give thought to the grassroots levels. More must be done to handle practical affairs for the grassroots levels and more help must be given to them in solving real problems. At present, there are major problems in the work style of our party and government leadership organizations and leading cadres. Many remain on the surface, but few go down to the grassroots



and among the masses; there are many appeals, but there is little concrete guidance and few conscientiously grasp the real situation; and many are deployed to do work, but few check on how it is carried out. The masses have much to say about this situation. We must support and encourage a type of work style featuring a sense of common destiny and a sense of sharing the comforts and hardships, a style that existed during the war years and in the early years of building the country, and continue to successfully handle the building of an honest government, resolutely root out the phenomenon of corruption, and strengthen the close relations between the party and the masses. Provided that leading cadres at all levels bear firmly in mind the aim of serving the people and are never divorced from the masses, there will be no difficulties that cannot be overcome.

Third, progressively strengthen Marxist theoretical study. Having gone through the struggle to stop the turmoil and put down the counterrevolutionary rebellion, leading cadres at all levels must increase their understanding of the importance of theoretical study, and increase their level of political consciousness. If everyone achieves consciousness from personal understanding and does not conscientiously study and grasp Marxism and Mao Zedong Thought, does not master and apply the Marxist stand, viewpoint, and method to understand the solve real questions that arise in the course of revolution and construction, then politically we may indeed lose our bearings and make mistakes in our work. Particularly in the course of improvement and rectification and the deepening of reform, situations change very rapidly, the contradictions are complex, and party members and leading cadres at all levels cannot merely immerse themselves in specific tasks, while slackening their study of basic Marxist theory. Each unit has already set up a study system and must be resolute and cannot waver. Theoretical study must closely integrate theory with practice. At present we must closely integrate the practice of improvement and rectification and the deepening of reform, link the domestic political situation and the political situation abroad, integrate "peaceful evolution" (from socialism to capitalism) and the dangers and threats to the entire socialist system and the international communist movement, link the trend of bourgeois liberal thought, link class struggle in the ideological sphere and political struggle, and in a planned and focused manner conscientiously study Marxist philosophy. Through study it is possible to continuously strengthen political sensitivity, strengthen foresight and creativity in work, and increase the scientific nature of leading policy decisions.

Fourth, consolidate and develop a stable and unified political situation. Improvement and rectification and the deepening of reform require a stable political environment. Economic stability and development are impossible in the face of political and social instability. We must continue to firmly grasp and properly handle work involving checks and inspection, especially properly handling such work associated with leading party

and government organizations and key departments. This is a major issue that bears on the long-term governance and stability of the country, and we must be firm and unremitting in seeing things through to the end, while being quite sure not to leave behind the seeds of future trouble. We must conscientiously work well at ideological and political work, and carefully and skillfully handle all types of social contradictions. We must continue to take strong measures against serious criminal offenses and economic crimes, and continue to work at eliminating pornography and the "six vices." For every factor giving rise to instability and every symptom of disturbance, we must grasp the situation in a timely manner and take timely measures as well as preventive measures.

The working class, which is the main force for developing production and stabilizing the economy, as well as being the main force for completing the tasks of improvement and rectification and the deepening of reform, is also the main force for maintaining stability and unity. We must wholeheartedly rely on the working class and mobilize the enthusiasm of large numbers of staff and workers to the overcome temporary difficulties we face in our economic work. Leading party and government cadres at enterprises must accurately spell out the current economic situation and the difficulties facing their particular unit, let everyone know what's what, make suggestions and offer advice, jointly study methods for surmounting difficulties, as people in the same boat help each other and tide over difficulties together. Those enterprises that are operating under capacity, have stopped production, or have cut production in half must make a special effort to properly handle the ideological and political work of staff and workers, make adequate arrangements for the daily life of staff and workers, and have well-organized study. The longer we remain in a difficult situation, the more we must make everyone firmly confident, inspire their enthusiasm, have them take up the attitude of masters, and inspire them to make a due contribution to completion of the tasks of improvement and rectification.

Comrades, this plenary session has been an important occasion for profound study and comprehension and conscientious implementation of the spirit of the Fifth Plenary Session of the CPC Central Committee. I hope all will speak without inhibition and fully express their views, and jointly work toward an adequate revision of the "views on implementing the Central Committee resolutions on furthering improvement and rectification and the deepening of reform" raised by the city party committee. Let us work hard together, and take this city party committee plenary session and make it a meeting for firming up confidence and pooling the wisdom and efforts of everyone, so as to determinedly complete the tasks of improvement and rectification and the deepening of reform raised by the Central Committee.

**AFP Reports on Status of Student Dissident Leaders***HK0404112090 Hong Kong AFP in English 1059 GMT  
4 Apr 90***[By Denis Hiault]**

**[Text]** Beijing, April 4 (AFP)—Pro-democracy leader Chai Ling and her husband, Feng Congde, were high up on Beijing's most wanted list of 21 students who took part in protests here a year ago.

But like 11 of their comrades, the pair have eluded Chinese authorities and escaped abroad, filmed by a Hong Kong television station Tuesday and said to be "somewhere in Europe."

Chinese Premier Li Peng told a press conference Wednesday that it was "unavoidable" that some fugitive dissidents would elude China's vast police dragnet and flee China.

Ms. Chai, 24, known for her impassioned speeches delivered over a megaphone in Tiananmen Square, appeared weak and on the verge of tears as she recounted her recent past in the television broadcast.

The news has shed little light on how the couple and their steadfast colleagues managed to escape the square after the People's Liberation Army opened fire on protestors there June 4, killing at least 1,300 people.

Ms. Chai and Mr. Feng are among the lucky ones.

Ten months after the crackdown, at least eight young protestors can be said with certainty to be in prison.

Wang Dan, 24, a frail and self-effacing young man thrust into the forefront of the movement, has been in prison in the north of Beijing since July.

The other young protestors seized by army and police are Zhou Fengshuo, Wang Zhen Yun, Zheng Xuguang, Yang Tao, Xiang Wei and Xiong Yan. The only woman, Ma Shaofang, has been denounced by her sister and her brother-in-law.

Authorities have issued no information about the dissidents' indictments or trials, apparently preferring keeping quiet to fanning further dissent.

The accused face heavy prison terms, if not capital punishment, for having participated in last year's "counter-revolutionary rebellion."

Uncertainty surrounds the 11 other student leaders whose mugshots have appeared in the press and at every border post since mid-June. Some undoubtedly remain in the country, while others have probably managed to flee.

The U.S. newsmagazine TIME published an interview in late March with Beijing's sixth most wanted activist, Zhai Weiming, who told TIME he took part in February in the founding congress here of a clandestine opposition group, the China Democratic Salvation Front—more or less under the authorities' noses.

Each case is surrounded by a web of intrigue and evasion, as the primary concern of every escapee is to avoid jeopardizing others' path to freedom.

Beijing has been prodigious in arresting, condemning and even executing those who have been designated criminals or "counter-revolutionaries." Independent sources estimate that more than 10,000 people have been arrested and scores executed, figures vehemently denied by the authorities.

The most famous student dissident is Wuer Kaixi, a member of the Uygur minority whose image here has suffered recently because of his impetuous statements and negative reports about his high-flying life in exile.

Along with other dissident fugitives, Mr. Wuer Kaixi has joined the ranks of the Federation for Democracy in China, created in Paris in September.

The group is a favored target of the official Chinese media, which are trying to discredit the organization and its members.

More than vitriolic attacks by the official PEOPLE'S DAILY newspaper, however, Beijing's opponents fear continued "quiet repression." A national census of China's 1.1 billion people this year, they say, will give the government a formidable advantage in finding and prosecuting dissidents.

For them, acquiring an exit visa is out of the question. Even the smallest step in that direction would, as one Western diplomat said, "throw them into the jaws of the wolf."



## NATIONAL AFFAIRS, POLICY

### Institute Studies Enterprise Contract System

90OH0404A Chongqing GAIGE [REFORM] in Chinese  
No 1, 20 Jan 90 pp 147-152

[Article by Fang Dahao (2455 1129 3185), Li Shengquan (2621 4141 0356), Xie Delu (6200 1795 6922), and Pan Weizhong (3382 3415 0022) of the Chongqing Academy of Social Sciences, Enterprise and Economics Institute: "An Exploration of Some Issues Connected With the Enterprise Contract System"]

[Text] We recently conducted an on-site study of a group of large and medium-sized enterprises in six industries in Chongqing Municipality: metallurgy, machinery, chemicals, pharmaceuticals, light manufacturing, and textiles. Practice has proven that the strategic choice of various forms of the contract responsibility system to reinvigorate enterprises during the period of transition from the old to the new system was proper. It is appropriate to continue perfecting and developing the contract system under the current policy of streamlining and rectification, and this line of action must be resolutely upheld. We will now raise a few questions about a few issues connected with the future and fate of the contract system.

#### 1. The Issue of the Contract Base Number

Setting contract base numbers in a scientific and rational manner is the core content of the contract system, and it is the key to the success or failure of the contract system. This problem must first be resolved if the contract system is to be perfected.

Our observations indicate that some responsible departments do not approach the issue of setting contract base numbers with a serious, scientific attitude. They oversimplify their work, and they have a tendency to handle their work in a subjective, arbitrary manner. For example, some responsible authorities set the base number for an enterprise by looking at the amount of profit taxes the enterprise has handed over to the state in the three previous years, and then adopting the figures from the single year in which the profit taxes were highest, even though contract base numbers for the majority of enterprises are based on the average profit tax figures for the three previous years. This way of doing things has an undesirable effect. Well-run enterprises are given high contract targets, and they must put forth a great struggle just to meet their targets. They are able to keep only a small amount of profits. On the other hand, enterprises which are not run well and have not tapped their full potential end up with low base numbers and contract targets. It is a simple matter for these enterprises to achieve their targets, and they actually end up retaining more profits. This method of operation, in which "the fastest horse feels the whip," does not encourage enterprises to produce more profit taxes; on the contrary, it prompts them to "lie low and keep a free

hand" in order to get a low base number. This has caused unfair distribution of profits among enterprises, and some enterprises have it harder than others. At the same time, the method of making vertical comparisons between the total amount of taxes and profits realized by the enterprise and total wages is not totally rational, either, and methods of improving this situation should be explored. A large proportion of the profit taxes achieved by enterprises are affected by various factors unrelated to enterprise operations, and it is unlikely that they truly reflect the operational circumstances or economic returns of any enterprise. This is because of current conditions in China. State-owned assets are still being used without compensation, prices are distorted, the tax system is flawed, land rents are terrible, the labor market remains basically unestablished, and an environment in which everyone competes on an equal basis has yet to form.

In addition, the policy that "base numbers absolutely must remain unchanged for several years" has forced enterprises, which now find themselves amidst economic chaos and a changing and unpredictable environment, into a difficult situation. The things upon which their base numbers are based have practically become meaningless. It is reported that continually rising prices for capital goods have caused enterprise costs to rise sharply, but enterprises are incapable of absorbing them. For example, the price of soda ash, the principal raw material in the glass industry, has risen from 700 yuan per ton in 1987 to 1400 yuan; the price of rubber, the principal raw material of the rubber products industry, has risen from 6020 yuan per ton in 1987 to 9000 yuan; the price of solid caustic soda, the principal raw material of the paper industry, has risen from 1600 yuan per ton in 1987 to 2800-3200 yuan; the price of cotton for the textile industry has also risen from 1300 yuan per 100 kg in 1987 to 1900 yuan. On top of that, energy resources and transportation are hard to secure, and supplies of electricity are insufficient (Chongqing Cotton Mill No. 4 only received 2.4 days of electricity in the month of January). If we continue to assess the economic performance of enterprises on the basis of the original base numbers, the very least that will occur is that their retained profits will be reduced. In a worst case scenario, it would be difficult for enterprises to continue production.

We believe that, when setting contract base numbers, one must analyze both static and dynamic factors; one must assess the level of an enterprise's vertical development in recent years, and must also make lateral comparisons with other enterprises in the same industry. In concrete, we suggest that the average of the taxes and profits for the most recent three years should be made an enterprise's base number. Then, the funds-to-profit tax ratio and wages-to-profit tax ratio in the same industry should be used to carry out revisions in order to arrive at a more rational target for the amount of taxes to be turned over to the state. Because the funds-to-profit tax ratio can reflect the ratio between the inputs and outputs

of materials consumed during the process of labor, the wages-to-profit tax ratio thus reflects the ratio between inputs and outputs of human labor. We should use the weighted-in-points method to combine these two coefficients of economic returns into a single "economic returns coefficient." We should take this economic returns coefficient as our standard as we revise contract revenue targets which had been set in accordance with the base numbers. This would alleviate the problem whereby "the fastest horse feels the whip." Furthermore, with numerical data as the basis for decisionmaking, we can avoid subjectivity and arbitrariness when targets are being revised, and make the overall process fair and rational.

As for the problem of the degree of complexity or simplicity we should allow for contract targets, we believe that it is primarily the taxes and the profits handed over to the state, and technological improvements, which should be contracted out. Quality, development of new products, equipment, and safety can only serve as a sort of target by which to assess a contractor's negative ratings. If there is an excessive clutter of contract targets, they will be difficult to achieve, and they will be easily invalidated in actual practice. However, it cannot be a simple matter of profit targets, either.

## II. The Issue of Contracts

The contract serves as a charter which clearly sets forth the economic relationship between the state and the enterprise. It is indisputably a relatively good way to achieve this objective, but for various reasons, there are still a few legal problems connected with practice which urgently await resolution.

1. *Inequality in the relationship between the parties to a contract.* Because the party that issues a contract has the status of both economic regulator and owner of assets, its relationship with the contractor is actually one which includes the subordination of the party being regulated to the other party, which does the regulating. This unequal relationship between the parties to the contract allows the issuer of a contract to force the contractor to accept the targets which it sets itself. The issuer of the contract sometimes even interferes directly in enterprise operations. This violates the fundamental principle that the parties to a contract must enjoy equal status.

2. *Unclear identity of contract issuer.* Because current contracts have an administrative flavor, the party issuing the contract is not represented by a single department, but by several, such as an enterprise regulatory department, a revenue department, and even an economic planning department. The unclear identity of the party issuing the contract blurs responsibilities. The various parties push off responsibility on each other, and they fight for influence where there are profits. As soon as a contract dispute arises, law enforcement departments cannot carry out arbitration on the basis of an economic contract.

3. *Responsibilities, rights, and profits unequally weighted among both parties to a contract.* Most current contracts only specify the responsibilities and duties of the contractor. They only place limits on the contractor without specifying the responsibilities and duties of the party which has issued the contract. Even if a minority of contracts have regulations, their targets are soft and fictional and carry very little force.

If the aforementioned problems are not resolved in a timely manner, it will lead to a situation in which contracts cannot be enforced, and the legal position of enterprises cannot be assured. For this reason, we suggest the following:

1. We must earnestly carry out the "Enterprise Contract Regulations" (promulgated by the State Council) and the "Enterprise Law" (promulgated by the National People's Congress). A contract should not be a set of one-way restrictions placed by the government upon enterprises; there should be restrictions going both ways. They should specify each party's responsibilities, rights, and share in the profits, and legal protection should be obtained through legal notarization.

2. We should set standards for the parties issuing contracts, and separate the government's economic regulatory function from its asset regulatory function. We suggest that an organ specifically tasked to regulate state-owned assets be established as soon as possible. This organ should be fully empowered in its capacity as proprietor to represent the interests of the contract issuer in order to avoid the abnormal situation in which the identities of the producing party and the party issuing the contract are not clear.

3. In accordance with the requirements of the "Enterprise Law," we suggest that the party issuing the contract assume the following responsibilities when contracts are signed in the future: 1) They must do all they can to assure supply of principal materials that have been allocated within the compulsory state plan. 2) They are responsible for coordinating and organizing supplies of electricity, coal, natural gas, and industrial use water in a timely manner. 3) When the introduction of a state policy seriously affects the economic interests of the contractor, the party issuing the contract should adjust it properly. 4) Various types of interference must be brought to a stop. The autonomy of enterprises over their operational and management affairs must be protected. Enterprises must be supported when they refuse arbitrary demands for money and unnecessary administrative interference.

## III. The Problem of Short-Term Behavior by Enterprises

First, we must do a concrete analysis of whether short-term behavior on the part of contract enterprises exists in all cases. Short-term behavior is demonstrated primarily by small and cooperative enterprises, while the problem basically does not exist among large- and medium-sized enterprises under the ownership of the

whole people, or at least it is not severe. The difference between these two groups is quite pronounced; one cannot lump them both together. The results of our study indicate that the factory heads (managers) of these large- and medium-sized enterprises all have long-term plans for their enterprises. They are all carrying out technological improvements and seeking to develop their enterprises. Even in those that have relatively high contract base numbers (like Chongqing Mining Machinery Factory), those for which it is extremely difficult to achieve contract tasks, and those (like Xinan Pharmaceuticals Plant No. 2) which gain only the slimmest of profits, the factory heads and their management contracting groups do not look only for short term gain, or plunder their enterprises. They still do all they can to improve production conditions in their enterprises, and seek long-term development.

Secondly, the behavior of contract enterprises has become short-term primarily for the following reasons: The first is that there is only a single contract target (only profits are contracted for), while standards by which the enterprise's long-term development prospects can be assessed are lacking. The second is that the quality of contractors is low. They only attempt to take blind risks in hopes of personal enrichment, lack the necessary dedication to their enterprises, and do not have a sense of responsibility. The third reason is that an effective oversight mechanism—a process of impeachment and recall—which would bring together superiors (regulatory agencies) and subordinates (enterprises, workers, and staff) has not been formed. Furthermore, government policies concerning regulation of small enterprises, especially collective enterprises (including policies on allocation, the fiscal system, and so on), allows for more lenient treatment in comparison with the way large- and medium-sized enterprises under ownership of the whole people are regulated. Oversight from higher levels carries no force, and administrative control is very soft.

Third, short-term enterprise behavior can be overcome or eliminated. Several countermeasures are needed to achieve this. The first thing is to assure that the best contractors will be selected. We must use different methods of choosing and hiring contractors for contracting out enterprises of different sizes and circumstances. We should not stick to form, but should demand real results. The second thing is to perfect the program for contract enterprises. Their contract targets cannot be too few. Rather, we must implement the policy of "assuring two and linking two," i.e.—assure the achievement of profit tax targets, and link this to total wages; assure completion of the technological improvement plan, and link this to the reward and punishment of those who operate enterprises. The third thing is to strengthen the effective oversight of contractors by responsible departments, as well as the party committee, staff, and workers within an enterprise. We must carry out periodic audits and final audits of contract enterprises on a regular basis, and truly implement democratic management by enterprise staff and workers. In addition, the

length of the contract term is related to short-term behavior by enterprises. Currently, most enterprises are contracted out for three years, but for a modern enterprise, especially one with a demanding task of technological improvement and a long asset recovery period, the contract should be lengthened to a proper degree, or a renewable contract should be used.

Fourth, we must perfect the method of selecting and hiring the best contractors. 1) Given actual conditions in Chongqing, it would not be appropriate for large- and medium-sized enterprises to make a great effort to solicit bids from a large sector of society. In general, they should implement a system of limited competitive bidding within their own enterprises, or at most, within their own industries. 2) It would also be best for small enterprises to solicit bids within their own enterprises or industries. Particular enterprises, or a minority which can find no one within their own enterprise willing to bid for a contract, can openly solicit bids from society, but higher level responsible organs should rigorously inspect the qualifications of the bidder (applicant), and should take special care to assure that the bidder has both the morals and the skill required. We must prevent anyone with treasonous dreams from gaining power. 3) Large- and medium-sized enterprises should approve and promote group contracting operations. Because large- and medium-sized enterprise operations are carried out across a broad front, operational difficulties are great, and one person cannot easily handle the task alone. By carrying out group contracting, people with different strengths can complement each other and form strong coalitions. 4) No matter what kind of system for choosing to whom the operation of enterprises shall be contracted, the system must embody this spirit: it is the working class in an enterprise which is the master of the house. We could implement on a trial basis a system in which the workers and staff in an enterprise democratically recommend a contract candidate. Some factories could set up a factory management committee. After hearing the opinions of the factory management committee on some major issues, the factory head would make the decisions. A regularly scheduled opinion poll (once per year, for example) could be conducted to determine how people feel about the factory head (manager) of a contract enterprise. Individuals who are unqualified should be impeached in a timely manner, and the process should be systematized.

#### IV. The Issue of Relations Between Operators and Workers and Staff

How to correctly handle relations between a contract enterprise's operators and its workers and staff is a key issue with far-reaching consequences. The question is how to combine the factory head (manager) responsibility system, and the principle that the workers are the master of the house, into an integrated whole. From the standpoint of theory, these two are dialectically unified, but in the course of contracting, there are many problems. The workers and staff in contract enterprises are not completely in jest when they refer to the factory head



(manager) as "boss." This reflects the fact that some workers and staff in contract enterprises hold, to differing degrees, the disappointed attitude that their position as master of the house has been weakened. This attitude deserves serious attention. In terms of actual conditions, tension in the relationship between the factory head (manager) and workers and staff in contract enterprises is primarily demonstrated in the following ways: 1) Excessive discrepancies in income distribution. Contract income for some factory heads (managers), particularly in small enterprises, can exceed 10,000 yuan per year and can even be counted in multiples of that figure, while the annual income of an average worker or staff member is about 2000 yuan. The gap between them can reach a factor of five or ten. This gap is usually not too big with large- and medium-sized enterprises under the ownership of the whole people. 2) The degree of participation by workers and staff in the management of their enterprise's operation is very low. The factory heads (managers) in some enterprises, especially small enterprises, haughtily assume the air of "boss," and their word is law. Personal relationships are not normal. Factory heads try to entice followers into their coterie, give a cold shoulder to anyone who dissents, fail to respect the position of workers and staff as masters of the house, and resist and even negate democratic management by workers and staff. Serious antagonism is the result.

There are several measures we must take to eliminate the antagonism between enterprise operators and laborers. First, a rational income gap between the factory head (manager) and workers and staff in an enterprise must be clearly regulated when we design the contract plan. 1) With regard to theory, we should clarify that the income of a factory head (manager) is by nature still based fundamentally on the principle of "to each according to his work." The income of the factory head (manager) should not include what is referred to as a high "risk income." The labor input of the workers and staff in an enterprise is generally carried out within the eight-hour work day, while the labor (it is primarily complex mental labor) input of a factory head (manager) far exceeds eight hours, and the responsibilities are great. It is perfectly reasonable if their income exceeds that of workers and staff by a factor of two or three. In reality, those in charge of an enterprise's operation can only put their reputations at risk when contracting for an enterprise. They cannot possibly assume responsibility for the economic risks involved in contracting for the operation of an enterprise. Under current conditions in China, the personal financial assets of most citizens (including factory heads and managers) are extremely limited, and are a trifling sum in comparison with the financial assets of the enterprises being contracted out (even a small enterprise). It is the owners who really assume the economic risks, and not the operators. Therefore, it is not theoretically sound for the factory head (manager) of a contract enterprise to expect to receive a high "risk income, and it is not practical, either, so it should be corrected or eliminated. 2) We must include clear regulations in the

contract plan which quantify what constitutes a reasonable gap between the income of a factory head (manager) and the income of workers and staff, and a direct link between the two should be established. Among the several large- and medium-sized enterprises under the ownership of the whole people that we studied, most were able to receive five to seven bonus shares if they fulfilled their contracts, and each share was worth 2000 yuan. The principal operator (the factory head) received one share, while the other members of the operating group (generally seven to nine people) split the rest of the shares. From an overall standpoint, the income of the factory heads of these contract enterprises are not too high. We believe that, in addition to regular income, the factory head (manager) of a contract enterprise could properly receive a bonus equal to two or three times the average annual income of the enterprise's workers and staff in the year in which the contract tasks/targets are fulfilled. If the gap exceeds a factor of three, that would seem to be excessive. Furthermore, the setting of base numbers for all bonuses could be greatly simplified. The base number for the amount of one bonus share could be made to equal the average annual wages of the during the current year of the workers and staff in the enterprise (as reported on the enterprise's books). This establishes a direct link between the income of the operator and the average annual wages of the workers and staff. It is both simple and reasonable. When the average annual incomes of workers and staff fall, the factory head of the contract enterprise should not receive a bonus, either. This way, both parties will have common interests. 3) After the term of a contract is completed, the owner (which generally means higher level responsible government agencies) should give bonuses to those operators (factory heads, managers) who have made outstanding contributions. When making assessments and granting bonuses, we must maintain an objective and scientific attitude, and we must adhere strictly to the regulations in handling this work. We must combine material and spiritual bonuses. We must put the greatest stress on praising operational successes and the spirit of an enterprise, instead of putting one-sided emphasis on big material bonuses, in order to encourage operators to strive aggressively for progress and go all out, while not getting away from what the majority of the masses can accept psychologically.

At the same time, the party must strengthen its political and ideological work within the enterprises. The party must work hard to advance democratic management of enterprises by workers and staff in order to strengthen the sense of responsibility among workers and staff as masters of the house, as well as their feeling of participation.

#### V. The Issue of All Personnel Risk-Bearing Contract

During the course of actual practice of the contract system, some enterprises have implemented an all-personnel risk-bearing contract. Practice has proven that

there is a great difference between having an all-personnel risk-bearing contract and an operator risk-bearing contract, and the latter has demonstrated many advantages. One is that many small sums of money scattered among different workers and staff members can be collected and used for the deposit, which to a certain extent alleviates the enterprise's problems regarding the lack of funds. This enables a rational diversion of consumption funds toward investment in production, which creates wealth. Under current conditions, in which the state has curtailed the money supply, this a very effective measure. A second advantage of this system is that it has strengthened awareness of risk on the part of producers and operators, and it has linked the interests of workers and staff to the well-being of the enterprise. A common body of interests, tied to the fate of the enterprise, is thus formed. The sense of crisis, risk, and responsibility, which had been the sole reserve of the factory head, is transferred to the entire body of workers and staff, thereby strengthening the enterprise's cohesiveness. A third advantage is that this method is conducive to the deepening of enterprise reforms. Much experience has been accumulated which will help us to further carry out all-personnel asset contract system and the stockholding system. This method is an excellent way to dovetail the contract system with the stockholding system. It looks like this is the right direction to take, and it should be further promoted.

#### VI. The Issue of the External Environment Facing Contract Enterprises

In order to uphold and perfect the contract system, it is extremely important to create a healthy external environment for enterprises. Since the enterprise contract responsibility system first began to be carried out, the state and every level of local government have made significant progress in creating the necessary conditions for this system by means of legislation, policy guidelines, public opinion guidance, etc. However, from an overall standpoint, large- and medium-sized state-run enterprises do not at this point have the necessary autonomy over production and operation. They lack vitality and staying power, and they are still faced with an extremely hostile external environment. This is demonstrated primarily in the following ways:

1. *Macroeconomic reforms are uncoordinated and lack stability.* The contract system now being implemented is being introduced amidst an uncoordinated program of macroeconomic reforms. The launching, development, and perfection of the contract system has inevitably set up a sharp contrast and conflict with the uncoordinated macroeconomic environment.

One problem is that policies are frequently changed and the "Enterprise Law" is difficult to carry out. In spite of the repeated declarations from higher-ups that everything will remain "stable" and "unchanged," contract enterprises still complain bitterly that under a policy that maintains "the factory head is the central figure, and the party committee is the core," relationships are unclear,

and enterprises are difficult to control. Various means have been used to recall some of the authority which had been granted to enterprises by the "Enterprise Law" and the "Contract Regulations," which has brought continued protests from the enterprises.

A second problem is that the effort by enterprises to optimize their labor force conflicts with the slow pace at which the social labor market and social services are developing. This makes it difficult for enterprises to place extra personnel.

A third problem is that efforts by contract enterprises to deepen reforms, promotion of enterprise mergers, and experimental implementation of a stockholding system have all been made difficult by unclear equity relationships in contract enterprises, the highly uncompetitive nature of the market mechanism, and insufficient research into such areas of reform theory as the system of ownership and the separation of two powers [the ownership of assets and regulation of those same assets].

2. *The market changes quickly and prices change frequently.* In a climate of streamlining and rectification, in which the money supply has been curtailed, and the market, wages, prices, and interest rates change frequently, the ability of enterprises to maintain autonomy over their operations and to adapt to the market has been clearly weakened. The market has softened since the beginning of 1989, which has caused a drop in sales, an accumulation of inventories, an increase of funds tied up by finished products, and a disruption of enterprise funds turnover, all of which could not have been foreseen by the enterprises. A very difficult situation has resulted. The state is implementing a combined system of a planned economy and market regulation, and some commodity prices are still subject to the "dual track system." Under these circumstances, contract enterprises face an unfair competitive environment. For those enterprises which derive benefit from state-regulated prices, have an assured supply of raw materials within the state plan, and enjoy a plentiful supply of goods, it is a simple matter to fulfill contract demands. For those enterprises which are completely dependent on the market for raw materials and goods, and produce goods whose prices are rigidly controlled while making purchases of raw materials and fuels whose prices are set through bargaining, proceedings are tortuous. The question of whether an enterprise is well run has become inevitably divorced from the issue of economic returns, which has dulled the competitive spirit of mind in contract enterprises and dampened enthusiasm.

3. *Funds, energy resources, and raw materials are in short supply, and materials allocated in the plan are not delivered.* If a contract enterprise is to assure full payment of revenues to the state, it must fulfill the state plan, but for various reasons, these enterprises do not receive the raw materials which are allocated in the state plan. Their situation is well described by the old proverb: "Even the ablest wife cannot whip up a meal out of thin air."

Operating fund loans to industrial enterprises in Chongqing Municipality since the beginning of 1989 have dropped sharply. There was a net increase of 179 million yuan from January through June in comparison with the same period in 1988. According to a study of 70 key enterprises, there were 60 enterprises (85.7 percent) with a relatively large shortage of funds. Of these enterprises there were 48 within the state budget, and their funds shortage totalled 560 million yuan, which seriously affected the production of a large group of large- and medium-sized enterprises. Tight supplies of energy resources have caused many contract enterprises to repeatedly suspend and restart production. According to the study, 28.6 percent of the enterprises had serious shortages, and 60 percent of the enterprises had shortages of greater or lesser seriousness. This has forced some to suspend production and caused serious losses.

4. *Administrative interference proliferates and "taxes and levies are exorbitant."* With respect to production and operations, local governments interfere with and control important capital goods, principal agricultural sideline products, and commodities subject to the plan and state monopoly, while enterprises have to shoulder all operational losses. With respect to labor and personnel, the responsible departments take cadres who are setting up their management teams and soliciting bids and workers and staff in the labor force and arbitrarily transfer them, place them in units whether they are wanted or not, and create too many cumbersome methods for linking economic returns to wages. With regard to social oversight and management, there are too many officious "old biddies" involved. Policies issue forth from all quarters. The result is a proliferation of "exorbitant taxes," administrative levies, unreasonable demands for money, enterprise-run social services, etc. This has shaken the legal person status of enterprises, as well as their autonomy over operations.

Our plan for improving the external environment faced by enterprises calls for the following:

1. *We must stabilize reforms and settle the public mood.* Currently, the number one task is to use the spirit of the Fourth Plenary Session of the party's 13th Central Committee to unify thought. We must resolutely carry out the "Enterprise Law" and other laws and regulations which have already been issued. We must resolutely maintain the contract system and the factory head responsibility system unchanged, and we must preserve the stability and continuity of policies in order to settle the public mood.

2. *We must carry out a coordinated set of reforms in a steady manner.* The new order of the socialist commodity economy must be a new order in which large- and medium-sized enterprises, under the ownership of the whole, people are filled with vigor and staying power. We absolutely cannot turn back to the old type of product economy. With regard to enterprises which have achieved good economic returns since being contracted out, we should accord them favorable treatment as

prescribed by the state's industrial policy. We should give top priority to assuring supplies of funds, energy resources, and raw materials to large- and medium-size state-owned enterprises. We must further improve our methods of exercising macroeconomic control over funds, create a proper funding environment for contract enterprises, increase total fund inputs, and implement incremental optimization of fund inputs. A portion should be used by enterprises to purchase raw materials, and a portion should be used by enterprises to break up triangular debt relationships, so as to set funds in circulation. By appraising the credit of contract enterprises, we must increase circulating fund loans by an appropriate amount in cases where sales growth and proper increases in inventory have caused normal demand for credit. We must do a good job of introducing a set of coordinated reforms aimed at the internal affairs of banks. In particular, we must resolve the problem whereby banks block or delay financial remittances, and funds cease to circulate. We must urgently set about the task of adjusting industrial structure and the product mix, and develop enterprise groups and enterprise mergers in a steady manner. We must rectify market order and stabilize prices. We must cultivate markets for capital goods, labor, funds, and equity, and we must free these markets. We must aggressively explore the proper scope, degree, and method of combining the planned economy with market regulation. We must create favorable conditions to allow for fair competition among enterprises.

3. *We must adjust revenue allocation policies, and assure stable growth of profit taxes handed over to the state.* We must rigorously observe boundaries between costs and expenditures, and adhere to cost accounting methods. Any expenditure which state regulations prohibit from being included in costs must be removed from that category so that all the profits earned by enterprises will be faithfully reflected on their books. We must do these things in order to bring allocation relations between the state and enterprises into better balance.

## FINANCE, BANKING

### Causes of Funds Shortage Analyzed

90OH0396A Beijing JINRONG SHIBAO  
in Chinese 3 Feb 90 p 3

[Article by Wang Wei (3076 0251), Huang Weiru (7806 0251 1172), Chen Haowu (7115 3185 2976), and Wan Yifeng (8001 0001 3536) of the People's Bank, Hubei Provincial Branch: "Pondering Several Questions on the Current Economy"]

[Text] 1. What caused the current shortage of funds? Was it the shortage of money supply resulting from retrenchment? Or was it escalating inflation resulting from an oversupply of money in recent years?

We have automatically abandoned every retrenchment policy we have ever adopted since 1984 amidst calls for



releasing money supply. During the current retrenchment, calls for releasing money supply became very strong as soon as we entered the second quarter of 1989 when funds became increasingly insufficient. Then what is the real cause of current funds shortage? Is it the oversupply or undersupply of money?

As a matter of fact, as of today, the problem of excessive retrenchment simply does not exist. In the first 10 months of 1989, the amount of various loans issued by banks throughout the country increased 106.2 billion yuan as compared to that at the beginning of 1989, roughly the same as the progress of loans in a normal year. We need especially to point out that in 1989 money supply increased substantially after it lost control in 1988. Retrenchment did not cause the amount of money supply to decline. If retrenchment did not reduce money supply and industrial growth rate was not high in the past year, then why are we still so short of funds? The root cause is that the advanced supply of money in the past generated inflation which caused capital demand to expand. As inflation worsens, enterprises' cash funds will be worth less and less and their funds will be tighter and tighter. Releasing large amounts of money supply can only worsen inflation, thus worsening shortage of funds later on.

2. Does appropriately reducing economic growth rate through retrenchment and the suppression of demand mean that while total demand declines, total supply is bound to decline by a greater margin, thus enlarging the supply and demand gap?

To correctly understand this issue, we must first of all understand the nature of our rapid economic growth in recent years. If economic growth is achieved by increasing labor productivity and returns, the faster the growth, the better. Our current problem is that our economic growth is exchanged with increased investment. The crux of the problem of increasing investment to exchange for economic growth is that the growth of total demand achieved with investment is faster than the growth of total supply marked by output value. Statistics show that since 1983 for every unit of increase in industrial output value, total investment (fixed assets and working funds) has to increase by 1.45 unit. It is obvious that increasing investment can enlarge the supply and demand gap.

Based on the above analysis, we believe that as long as we pay attention to readjusting industrial structure and channel limited funds onto enterprises, which can provide society with effective supply, or products, we will not only prevent total supply from declining but also help alleviate the contradiction of total demand outstripping total supply and promote the stability of currency while we reduce demand and lower economic growth rate.

3. Can the withdrawal of credit and commodities (including service, same hereafter) replace each other? Is

simple credit withdrawal or overemphasizing the role of credit withdrawal a good strategy for stabilizing inflation in the long run?

Although both credit and commodity withdrawals can pull currency from circulation, only commodity withdrawal can be considered as genuine withdrawal. Because commodity withdrawal reflects a decline in the purchasing power of society whereas credit withdrawal can only defer purchasing power, and that is after enlarging it. It cannot reduce purchasing power at all. The deferred and enlarged purchasing power will sooner or later attack the market. Therefore, credit withdrawal cannot replace commodity withdrawal.

Generally speaking, to expand credit withdrawal at great costs to replace national savings, we must meet the following condition: After we use the funds of current savings for an investment, it will yield very high returns and cause total social supply to increase substantially within a given period of time, thus bringing the growth of the enlarged and deferred total demand in line with the growth of total supply. But currently China does not have such a condition. Our labor productivity is unlikely to increase by a large margin within a short period of time, neither is total supply. Under this condition, unduly enlarging and deferring total demand is actually the same as deferring the disastrous effect of inflation after enlarging it.

4. How do we correctly understand the relation between credit and financial policies? Can a tight credit policy coupled with a loose financial policy achieve the goal of stabilizing inflation?

Inflation is caused by total demand outstripping total supply whereas credit expansion constitutes the main cause of total demand outstripping total supply. Therefore, to stabilize inflation, we must first tighten credit. There is no doubt about this. However we must realize that the current credit expansion is caused to a large degree by financial deficits. During the 10-year period between 1978 and 1988, China's national deficits on the surface were 65 billion yuan. If we deduct internal and external debts from revenue according to international practice, the actual amount of deficits accumulated over the 10 years will be about 300 billion yuan, and every year had deficits. If we add the amount of subsidies which should be issued but were never issued and the amount of funds which should be allocated but were never allocated, the actual amount of overdraft will be even greater. Therefore, financial deficits and overdraft are an important cause of credit expansion and inflation.

In sum, to achieve the goal of rectification and improvement, we must conscientiously implement the "double-tight" policy and resolutely carry out the integration of a tight financial policy with a tight credit policy.

5. In order to get out of the current financial difficulty and reverse the situation of sluggish market, do we focus mainly on the revitalization of final product market—

realizing the final consumption of products—or place hope on injecting starting funds into production or circulation links?

To get out of the current financial difficulty and reverse the situation of sluggish market, we may choose among three plans in terms of monetary policy: 1) Injecting starting funds directly into enterprises engaged in industrial production; 2) injecting starting funds into commercial circulation links to boost industry with commerce; and 3) revitalizing final product market instead of injecting starting funds to boost commerce with consumption and boost industry with commerce. We think that among these three plans, the second one is better than the first one, and the third one is better than the second one.

Since last year we have actually adopted the first plan, namely emphasizing production, neglecting circulation, and giving more funds mainly to the links of industrial production. But practice has proven that this is not a very good method because funds poured into industry ended up as money held up by finished products. Since the beginning of 1990, China's industrial loans have increased 39.9 billion yuan whereas finished products increased 50 billion yuan with balance reaching 100 billion yuan. Under the current condition of sluggish market in which final consumption cannot be realized, adopting the second plan to inject funds into commerce can at best turn finished industrial products into commercial stock. It will not reduce the total amount of funds occupied in society.

Therefore, we prefer the third plan, namely, we will not rely mainly on injecting funds and expanding credit. Instead, we will rely on strengthening the final market of consumer goods. Because the current fund shortage was caused by a sluggish market, as long as consumption market rises, savings deposits will be able to switch to commercial deposits and finished industrial products to commerce. This will enable commercial deposits to switch to industrial deposits or reserves. In this way, the whole industry and commerce will be enlivened.

6. Which do we adopt to overcome market slump—the measure to enliven market alone or the measure to enliven market as well as control production?

Declining purchasing tendency and sluggish consumption market are an important cause of the increase of commercial inventory and the serious overstocking of finished industrial products as mentioned above. However we feel that sluggish purchase is not the only cause of overstocking. As a matter of fact, the excessively advanced production of consumer goods, especially high-grade, durable consumer goods, is also an important cause of overstocking.

The advanced production of consumer goods—final products—will inevitably prevent a large amount of consumer goods from smoothly entering the consumption market. This will result in two situations: First, speaking in terms of funds, since the production link of

consumer goods cannot turn commodities into cash, it will unavoidably keep the upper reach—the production link of capital goods—from turning their commodities into cash, thus causing the current situation in which too much fund is held up by commodities throughout society. Second, speaking in terms of currency, since products cannot provide effective supply, it will inevitably further worsen the contradiction of total demand outstripping total supply, thus worsening inflation.

Because of this, we think that we should rapidly readjust and reduce the advanced production of consumer goods. On this basis and in accordance with the characteristics of the rapid change of modern market, we should in the course of production adopt the modernized management method of producing one generation of products while trial-producing another generation of products and developing and researching still another generation of products to continuously upgrade production and bring production in line with the development of market. Only this can be considered as an important measure for alleviating inflation.

7. Currently prices have gradually become stabilized. Does this mean that the contradiction of total demand outstripping total supply has been basically resolved? Does it mean that inflation has been stabilized?

We think that the current slowing down of price increase does not indicate that the problem of overall imbalance has been resolved. The contradiction of total demand outstripping total supply is still very serious. Main expressions are: By the end of October 1989, residents' surplus purchasing power reached 700 billion yuan. This 700 billion yuan sooner or later will pour into the market. Revenue has increased as a result of such method as issuing value-guaranteed bonds, but because price subsidies have increased considerably, financial deficits will rise unavoidably. Trade deficit in the 10-month period was 3.8 billion yuan, an increase of 3.3 billion yuan over the corresponding period of 1988. The balance of internal and external debts were over 200 billion renminbi with the peak of foreign debt repayment coming soon. All this explains that the current stability of prices is not a result of improved supply and demand relation. It is only a temporary phenomenon, and its foundation is very unstable.

If the supply and demand relation has not improved, then how could price be stabilized? We think there are three factors: 1) The large-scale financial price subsidies have made prices rise covertly but not overtly. 2) Banks' value-guaranteed savings deposits have deferred a large amount of demand. 3) Price increase has been controlled to a considerable degree with administrative measures such as price restrictions, but price restrictions and the ration of people's daily necessities themselves are expressions of inflation.

In sum, the current slowing down of prices is not the result of improvement in the total supply and demand relation. Our next step in the task of stabilizing currency



and prices will be more arduous. Suggesting releasing money supply and expanding demand because prices have gradually stabilized is no different from giving up halfway on the "double-tight" policy and preventing China's economy from getting out of trouble.

8. Controlling the total amount can create favorable conditions for structural readjustment. But may we take it that when the total amount is controlled, optimizing structure will automatically become a reality?

Only by controlling the total amount of money supply can we possibly optimize structure. If we say that this relation has been accepted and enforced by the whole society, another relation—namely readjusting structure is the basic guarantee for the control of total amount—has yet attracted any attention.

Our current situation is that while the total amount is controlled, the number of units with capital needs has not declined. Under this situation, the biggest victims of retrenchment are outstanding enterprises, not poorly-managed enterprises. Therefore, we think that whether or not the total amount can be controlled depends on whether or not the structure can be readjusted satisfactorily. And whether or not the structure can be readjusted satisfactorily depends on whether or not we can make up our mind to shut down, suspend, merge, and transform a group of enterprises instead of simply to which direction the investment of funds is tilted.

#### Poor Use of Enterprise Start-Up Funds Detailed

900H0422A Beijing JINGJI CANKAO in Chinese 5  
Feb 90 p 4

[By Zhu Jicheng (2612 4949 6134)]

[Text] Our results in the use of start-up funds have not been good. To find out why, we conducted an investigation of their use by six Shashi City enterprises (in Hubei). They consisted of two textile enterprises, two light industrial enterprises, one electronics enterprise, and one industrial chemicals enterprise. A total of 47 million yuan in start-up funds were released between January and November 1989 to these enterprises, 78 percent of all the start-up funds for the city.

As a result of our inspection, we found that the main causes of these difficulties were:

#### When Enterprise Goods Are Overstocked and Sales Are Slow, Start-up Funds Cannot Resolve Production Problems or Market Problems

In November 1989, finished products funds for the six enterprises came to 193.43 million yuan, 16.57 million yuan more than in the same period in 1988, a 5.6-fold increase. If we add to this goods in transit and accounts receivable for goods sold, the three categories of funds come 254.298 million yuan, 221.747 million yuan more than in the same period in 1988. Start-up funds are generally used to purchase raw and semifinished materials and to clear up delinquent debts. It is difficult for

them to be used to start up a market. The reason for this is that enterprises whose sales are relatively good are unwilling to deliver goods because they are afraid that they cannot obtain payment for them on time. The Shashi Rihua main plant produces "Huali 28," a super-concentrated laundry powder, the sales of which are relatively good. However, the enterprise has a large number of accounts receivable that it is unable to collect and is unwilling to deliver goods. By November, the enterprise had used 17.48 million yuan in funds, a 340 percent increase compared to the same period in 1988. If it were to deliver all the goods for which it has orders, its entire inventory would be sold out. However, it cannot collect what it is owed on time.

#### Improper Handling of the Start-up Chain

Shashi is a light and textile industrial city where the textile trades are dominant. Within the textile trades, from spinning and weaving to printing, the operations are all related. However, almost all the start-up funds for the textile industry were invested in the spinning and weaving plants. Very little was invested in the printing and dyeing plants. The Shashi Cotton Textile Plant and the Jingsha Cotton Textile Main Plant received a total of 32 million yuan in start-up funds. These two cotton textile plants sell their goods to the printing and dyeing plants in the city. Because the sales of the printing and dyeing plants have not been good, several of them owe the two cotton textile plants 21 million yuan for goods that were purchased. If the printing and dyeing plants are not active, then it is difficult for the textile plants to sell all their goods after having produced them. A responsible comrade at the Jingsha Cotton Textile Plant says that start-up funds for the textile trades only clears out the channels for a portion of the industry. The other portion becomes blocked. This makes it difficult for start-up funds to have their proper effect. In November, only 4 million yuan in start-up funds were issued to printing and dyeing plants. None had been issued earlier. This amount is far from what is needed to get the printing and dyeing trades started up.

#### If the Amount of Startup Funds Is Small, It Is Difficult for Them To Have an Effect

The funds rate for the average output value of the six enterprises was 42 percent. If the enterprises used 47 million yuan in start-up funds to purchase raw and semifinished materials to develop production and could only create 10 million yuan in output value, that would constitute 18 percent of the completed output value estimated for the six enterprises in 1989. Thus, start-up funds are not having a large effect on production development. Since only a small amount of start-up funds are used to clear up delinquent debts and these are only a small portion of the entire amount of money owed, their effect on clearing up debt is likewise slight. One million yuan of the 6 million yuan in start-up funds that Shashi Agricultural Chemicals Plant received was used to clear up delinquent debts. However, the plant owed a total 6.13 million yuan. One million yuan is only 16 percent of

that amount. The funds used to clear up the delinquencies only freed a few links in the chain of debt. It was not possible to clear up most of them. If the amount of start-up funds are small, they only have a limited effect on the start-up of production and resolving delinquent debts.

**When the operations of enterprises which are owed for goods they have delivered are in a slump, the effect of using start-up funds to clear up delinquent debts is dissipated.**

When start-up funds are used to clear up debts, the funds will not be effectively absorbed and will be dissipated by the receiving enterprise if the operations of that enterprise are in a slump and it lacks economic efficiency. Thus, on an overall basis, it will be difficult to bring into play the effect of the start-up funds. The enterprises that received the 1 million yuan in back payments from the Shashi Agricultural Chemical Plant for goods they had provided were industrial chemical enterprises in the province whose economic efficiency is poor. These enterprises were having some difficulties with retrenchment. When they received payment, the funds stayed unused within the enterprise and were not properly circulated. It was the same situation with the Rihua main plant when it used funds to clear up delinquent debts. The enterprises that had provided the raw materials found it difficult to make active use of the payments.

#### **Start-up Funds Return in Disguised Form**

Because an enterprise might be having trouble carrying out normal operations in its own production at the time the start-up funds are issued, the funds might just have arrived or only have arrived a short time before when the original large bank loan comes due and must be paid off, in which case the same funds are used to repay the bank loan. The second day after the Jingsha Cotton Textile Plant received 2 million yuan in start-up funds last September it repaid 1 million yuan of the original money it owed. Only 50 percent actually arrived in place. The Shashi Agricultural Chemical Plant between September and November obtained 6 million yuan in start-up funds. As of this date, it has used these funds to repay 3.1 million yuan in old overdue bank loans, 52 percent of the start-up funds. In fact, because the start-up funds put in place were insufficient and because their effectiveness was not brought into play, the production operations of the entire enterprise never returned to the normal operations that were in effect prior to the start-up funds being received and a portion of them returned to the banks.

#### **If Start-up Funds Cannot Arrive on Schedule, Enterprise Profits Will Be Reduced**

The two cotton textile plants are examples of start-up funds not arriving on schedule. They were assigned to arrive on 16 September and were not received at the plant until 10 November.

Because of the delay, the enterprises could only purchase low-grade returned cotton. The delay affected normal

production. The various grades of cotton in the enterprises had to be matched up before production could continue. High grade cotton was insufficient, and the quality of the finished products was low, causing the profits of the enterprises to be reduced. Thus, start-up funds that did not arrive on schedule affected the profits of the enterprises.

## **COMMERCE**

### **Hong Kong Ministry Predicts Revived Market, Sales**

HK0504043690 Hong Kong CHING CHI TAO PAO [ECONOMIC REPORTER] in Chinese No 216, Mar 90 p 8

["Informed Source Forum" article filed by Fang Yuan (2455 0955) on 22 March: "The Ministry of Commerce Predicts That the Sluggish Market Will Improve by April, and That Sales Will Start Increasing in May"]

[Text] According to the data bank of the Ministry of Commerce, China's present sluggish market will experience a revival, and sales will start picking up in May.

The following predictions have been made from the trend of this year's overall market demand:

On the subject of demand, the annual currency income of city and town residents will amount to 1,220 billion yuan (in renminbi, as are all the amounts mentioned in the following paragraphs), which will represent an increase of some 12 percent against last year. Of this percentage, farmers' incomes will grow by 15 percent, and workers' wages will rise by 13 percent. Apart from normal consumer demands, the non-commodity currency expenditures of city and town residents this year, such as cultural entertainment, accommodation, and travelling, will increase by some 25 percent against last year. Therefore, commodity buying power will come to 930 billion dollars this year, an increase of 14 percent against last year.

On the subject of supply, available commodities will total some 900 billion dollars, an increase of six percent against last year. Moreover, there is also stock left over from last year. However, there are apparent indications of a possible shortage of available imported electric home appliances and Chinese-made electric home appliances which require imported spare parts.

On the whole, the difference between total supply and total demand will be some 30 billion yuan. The market, though stable, will be inclined towards tightness.

Affected by last year's sluggish market, the beginning of this year saw relatively large quantities of last year's left-over stock. Hence, there is an abundant supply of commodities in the market. At present, the state is implementing a series of measures to solve the problems of market sluggishness and slow industrial growth. The market is expected to emerge from its sluggish state in

April, and from May onward sales are expected to climb gradually. In view of such changes, there will not be any problem in terms of commodity availability in the market. However, the problem of inadequate effective supply might become more apparent in the latter half of this year. This is mainly due to the impossibility of improving enterprises' production conditions within a short time, and the possibility of a rapid increase in the people's urge for buying.

A survey conducted by departments in the Ministry of Commerce indicated that shortages of 98 kinds of agricultural products would increase by some eight percent against last year. Compared to last year, the shortage of 488 kinds of industrial commodities has decreased by 11.5 percent.

Inflation of commodity prices will be somewhat lower than last year. The retail price index is expected to rise by some 17 percent. The market will be in much better order than it was last year.

## FOREIGN TRADE, INVESTMENT

### Relationship Between Open Policy, Pacific Rim Development

90DH0343A Tianjin NANKAI JINGJI YANJIU  
[NANKAI ECONOMIC JOURNAL] in Chinese No 6,  
Dec 89 pp 22-26

[Article by Chen Yue (7115 6885), assistant professor of International Economics, Nankai University: "Changes in the International Economic Environment of the Pacific Rim and China's Strategy for Opening Up to the Outside World"]

### [Excerpt] [passage omitted] III. China's Strategy for Opening Up to the Outside World From the Viewpoint of the International Economic Environment of the Pacific Rim

The international economic environment of the Pacific rim has an important bearing on China's strategy for opening up to the outside world, and in light of China's specific domestic characteristics, we should pay attention to problems in the following areas when formulating China's strategy for opening up to the outside world:

#### 1. Choosing an Opening Strategy Model That Accords With China's National Conditions

Whether China, in opening up to the outside world, can adopt a strategy model of shifting from import substitution to export orientation, like certain newly industrializing countries and regions of the Pacific rim, is a question which must be seriously resolved. From the viewpoint of the special characteristic and trends of change in the economic environment of the Pacific rim, China now no longer has the superiority which the newly industrializing countries had at that time, or the superiority which they had then has become our inferiority. Thus, we should start from China's existing superiority

in formulating our strategy. In terms of the Pacific rim as a whole, China is currently at a level of development between that of the newly industrializing countries and other developing countries. China has already established a fairly powerful modern industrial system based on heavy industry, and has a vast domestic market. In expanding its manufactured goods exports, China can rely on implementing technological reform of existing enterprises, rather than relying mainly on developing export processing industry, or relying on straight assembly industry. In importing technology, we can take advantage of the superiority of our domestic resources and markets, and exchange markets for technology. The newly industrializing countries of the Pacific rim do not have any of this. They lack natural resources, their domestic markets are small, and their industrial products exports must rely on the markets of developed nations. Therefore, China cannot adopt a model of shifting from import substitution to export orientation in opening up to the outside world; rather, it should adopt a development strategy which combines export orientation and import substitution. In this way, China can give play to its special characteristics, namely, the vastness of its domestic markets and the considerable basis for industrialization which it already has, and avoid overdependence on foreign markets. It should also utilize export market mechanisms to stimulate the competitive capability of its domestic industry and give impetus to production of domestic intermediate products. This has major significance for China's participation in international market competition and promotion of its economic growth.

#### 2. Paying Attention to the Stage-By-Stage Nature of Strategic Objectives

Based on the superiority of China's natural resources, its strategic objectives for opening up to the outside world should follow a course of development from low to high, and from shallow to deep. Not only is China's wage level currently lower than that of certain newly industrializing countries and regions of the Pacific rim, it is also lower than the level of SEATO nations and other developing nations of the Pacific rim. Therefore, China still has the potential for further bringing into play its superiority in labor-intensive industries. From the standpoint of China's coastal region as a whole, in the near term, it should primarily develop exports of labor-intensive industrial products. Based on this, it should strive during the next ten to fifteen years to step up development of capital-intensive and technology-intensive industries and promote upgrading and modernization of the export industry structure, in order to gain the initiative in competition in international markets with newly industrialized countries. Until the end of this century, China should focus on developing export products of new technological industries, enabling its high tech products to occupy a fairly prominent position in international markets.

#### 3. The Forms of Opening Up to the Outside World Should Be Diversified Rather Than Unitary



In order to bring in foreign goods and capital, various nations of the world have adopted various special economic measures, and set up various forms of free economic zones. These free economic zones can basically be divided into two types: trade-type zones and industrial-type zones. It is worth noting that trade-type free economic zones are distributed mainly in economically developed nations, such as the United States and the nations of Europe, while industrial-type free economic zones are distributed mainly in developing nations and regions. Most developing nations in the Pacific rim region have adopted the export processing zone form. In China's coastal open cities, in order to stress the policy of giving priority to industry, more importance is attached to the industrial-type free economic zone form, while the trade-type free economic zone form is very seldom adopted. In the developing countries of the Pacific rim, export processing zones have shown a decline after the mid-1970's, exposing their weakness. Therefore, in adopting forms of opening up to the outside world, China should pay attention to this situation of Pacific rim developing countries, and absorb the experience of various nations of the world. At the same time that it is establishing industry-type free economic zones, it must also set up trade-type free economic zones, such as free ports, free trade zones, free border zones, and bonded warehouses, based on the specific special characteristics of the coastal region. The advantage to this is that it brings into play the potential of existing port facilities, promotes industrial development through trade, requires only a small volume of investment, and makes it possible to obtain considerable economic returns within a short time.

#### 4. Adopting Multilevel Methods for Importing Technology

Due to the diversity and complexity of the economic structure of the Pacific rim, as well as the considerable disparity between the industrial bases, resource conditions, and technological level of China's coastal cities, importation of technology cannot be stereotyped. We must ascertain the focal points of importing technology based on the specific special characteristics of each city. Generally speaking, they can be divided into the following levels: the largest cities have complete industrial systems and abundant technological strength, and these should emphasize the importation of knowledge-intensive and technology-intensive new technology, in order to lay a material foundation for transforming the original industrial technology; large- and medium-sized cities already have a considerable traditional industrial foundation, and in order to expand exports and increase the economic returns of enterprises, they should emphasize importation of advanced, capital-intensive and technology-intensive applied technology; the multitude of small- and medium-sized cities, due to their relative abundance of labor resources and the relatively low level of their existing technology, should emphasize importation of labor-intensive export processing industry technology at the present stage, and afterward, as production develops, gradually switch from labor-intensive industry

to technology-intensive and knowledge-intensive industry. Starting from the current actual situation of the majority of China's coastal cities, a lower starting point for importing technology is advantageous to fully bringing into play China's superiority in labor resources, and gradually raising the level of operation and management and accumulating capital more rapidly are of major importance to increasing exports and expanding foreign exchange revenue.

#### 5. Adopting Unique Methods of Attracting Foreign Capital

Since the end of World War II, the majority of developing countries, in order to attract foreign capital, have implemented a special preferential policy which includes reduction or remission of various taxes and expenses. The heart of this policy is to allow foreign capital to earn an amount of profit higher than the average profit rate, through low taxes, low wages, and low rent. Although this policy has, to a certain degree, had the effect of attracting capital, it runs counter to the theory of developing country capital accumulation and the requirements for economic growth, thus, improper use of this policy may result in the abnormal phenomenon of growth without development of the economies of developing countries. Most of the developing countries of the Pacific rim have implemented a series of special preferential policies regarding foreign capital, based on their own development objectives, and they have achieved a certain degree of results in developing labor-intensive industrial exports. However, as the industrial structure of these nations is adjusted and developing countries vie with one another to expand the scope of preferentiality and increase preferential treatment, the role played by such special preferential policies in attracting foreign capital is weakened day by day.

In opening up to the outside world, China must learn from the experience of the developing countries of the Pacific rim in this area, and may by no means regard the implementation of special preferential policies as the only method of attracting foreign capital. Especially now that China's opening up to the outside world is gradually advancing from the coastal region into the interior, it is necessary to reconsider the focal points of China's policy for attracting foreign capital, namely, we must gradually shift the focus of the policy for attracting capital from the incentive measures of reduction and remission of taxes to improving the investment of climate and bringing into play the strength of China's markets, and from regional preferences to industrial preferences. By these means, we can both increase China's capital accumulation and effectively bring into play the superiority of China's markets and resources. The introduction of foreign capital and technology will strengthen the competitive strength of China's industrial enterprises and accelerate the development of China's economy.

In short, the changes in the international economic environment of the Pacific rim have provided valuable enlightenment to China's strategy for opening up to the

outside world. In order to allow China's opening up to the outside world to develop healthily and continuously, we must abide by the objective requirements of the economic laws of the international market and, in light of the superiority of China's resources and its specific special characteristics, formulate correct strategic guidelines, avoiding subjectivity and rashness. By doing this, we can certainly promote the steady advance of the economies of the coastal open cities in competition in international markets.

### **Economics Official Addresses Trade System Reform**

OW2903034890 Beijing XINHUA in English  
1032 GMT 28 Mar 90

[Text] Beijing, March 28 (XINHUA)—Li Lanqing, vice minister of foreign economic relations and trade, in an interview with the journal CHINA'S ECONOMIC STRUCTURAL REFORM, said the 10 years of reform of the foreign trade system has further promoted the development of China's foreign trade.

Li said that in the past 10 years, the Chinese Government has initiated a series of reforms in foreign trade, including relaxing the monopoly of foreign trade by giving more decisionmaking power to grassroots units, and creating a contract system for exported-oriented enterprises and a sole responsibility system for profits and losses in garment making, light industry, and handicrafts for export.

The reforms had a good effect on imports and exports. He listed four main achievements. The exports increased from 21.82 billion U.S. dollars in 1982 to 43.2 billion U.S. dollars last year. More finished and fewer primary products are now exported. There is a basic favorable balance in foreign exchange.

There have also been some problems. Li said rising prices at home had affected foreign trade. Excessive numbers of foreign trade companies in some areas have damaged the country's reputation, and less foreign currency is controlled by the Central Government.

Li said efforts will be made to improve the work.

### **Foreign Exchange Pact Signed With Hungary**

LD2503050190 Budapest Domestic Service  
in Hungarian 1100 GMT 24 Mar 90

[Text] In Beijing, a Hungarian-Chinese agreement on the free circulation of foreign exchange has been signed. This means that next year, after the Soviet Union, dollar-accounting will come into effect in trading with China, too. This was said by Deputy Minister [of trade] Piroksa Apro.

### **View of Mainland-Laos Border Trade, Immigration**

90OG0113A Vientiane PASASON in Lao  
13 Dec 89 pp 3, 4

[Excerpts] After working one week in Oudomsai Province, we returned to Louang Namtha Province in order to spend a week together with the work sections there. [passage omitted]

Although "Boten" is not known among the people of the central and southern regions, it is known in the north. This is a place where goods are exchanged and where Lao and Chinese people visit each other. [passage omitted]. When the Lao-Chinese trade takes place here the customs house is set up, along with the stores for selling their goods along the road in this village. The sign "Boten" appears on the buses bound from Oudomsai and from Louang Namtha Province.

As we turned on the road to Boten, after only 18 km we saw more than 10 trucks hauling goods from the Chinese border to Laos and back. On that day we saw buses from Louang Prabang, Xieng Thong, and Oudomsai provinces carrying plywood, oranges, and cardboard boxes. They brought back cement and other items packed in the boxes. When we arrived at the customs house we were allowed to cross the border to our meeting place. It was 1030. We saw Lao and Chinese trucks backed up against each other, busily transferring their goods. There were a few Chinese trucks parked along the border. When we inquired about the owners and passengers of the trucks we were told that they all went across the border to Laos and would return in the evening to La District in China, approximately 60 km from the Lao border.

According to the customs official, at least two or three Lao and Chinese trucks transfer their goods each day. On some days there are more than ten. [passage omitted].

From the customs house we went to Boten to look for a restaurant. We learned that it was hard to differentiate the Lao from the Chinese. Most of the people in La, Xieng Houng, and San Yong in Yunan Province are Chinese [passage omitted].

At least 20 Chinese people of the Leu race at the border come to Laos every day by bicycle because the market is on the Lao side. Also, some Chinese come to Laos by truck from La, San Yong, and Xieng Houng districts to exchange their goods. These people are called "Ho" by the Thai people in the north. [passage omitted].

It is not only that Chinese come to Laos; there are also Lao who go to China. On the day we arrived, there was a group of people from Bo Keo Province, each carrying their bags. When we asked where they were going, they replied that they were going to La District. Some Lao visit China officially. Some go for business, others go to visit their relatives. There are many Leu in Lao and China. When the Lao and Chinese parties and governments normalized their relations, the border was opened.

This made it easy for them to visit each other. All they need are visas from their province.

We asked how they made out in terms of money when the Lao went to China, and when the Chinese went to Laos. They said that they exchanged money. But how and with whom, as there are no bank officials to render this service? They said that they did it among themselves at the rate of 125 kip per 1 yuan. At the time we were there they even suggested that if we wanted to go to La District in China we would need only 200 yuan or 25,000 kip. With that much money we would be able to stay in comfort for several days. The bus fee for one person from the border to La District, a distance of about 60 kilometers, was about four to five yuan. The cost of the hotel is five yuan per day; for the best hotel it is 22 yuan per day. This does not include the cost of food. Therefore, it was not at all surprising to learn that many cadres I met in Louang Namtha Province had been to China once or twice.

### Exports Reach \$52.5 Billion

OW2203131890 Beijing XINHUA in English  
0809 GMT 22 Mar 90

[Text] Geneva, March 22 (XINHUA)—China has become the fastest developing export nation in the world, its position rising from thirty-second to fourteenth over the past decade.

From 1979 to 1989 its export volume increased three times, it is revealed in a world trade report by the General Agreement on Tariffs and Trade (GATT).

The value rose to 52.5 billion U.S. dollars last year, with the export rate reaching 10.5 per cent, three per cent above the world average.

The report shows that the United States is the world's top exporting nation, with Federal Germany second and Japan third.

### Light Industry Exports Up 24.3 Percent in 1989

OW2403091290 Beijing XINHUA in English  
0727 GMT 24 Mar 90

[Text] Beijing, March 24 (XINHUA)—Exports of China's light industrial products earned a total of 9.764 billion U.S. dollars in 1989, up 24.3 percent over the previous year.

According to the Ministry of Light Industry, this figure was 8.5 percent more than the trade's annual export quota.

An official from the ministry told XINHUA that the structure of light industrial export products improved during the past year. The income of 11 major export products reached 5.3 billion U.S. dollars, a rise of one fifth on a year-to-year level. Among them hardware, leather goods and toys all climbed over 20 percent.

The export of clocks and watches, bicycles and household electrical appliances all increased by over one third.

At the same time, processing with supplied materials and designs and assembling with provided spares earned the trade 2.7 billion U.S. dollars, an increase of one fifth over the year before.

Now the country has 269 light industry enterprises authorized to handle foreign trade. Last year their export income totalled one billion U.S. dollars, according to the official.

### More Foreign-Funded Enterprises Start Operation

OW2303034090 Beijing XINHUA in English  
0253 GMT 23 Mar 90

[Text] Beijing, March 23 (XINHUA)—By the end of 1989 China had approved the setting up of more than 22,000 foreign-funded enterprises, with a total contracted investment of 33.7 billion U.S. dollars, according to sources here today.

Some 12,000 of the firms are joint ventures, 8,000 are enterprises under co-operative management, 1,500 are businesses with sole foreign investment, and 58 are off-shore petroleum prospecting co-operation projects.

Nearly 10,000 foreign-funded enterprises have already gone into operation and most of them are working well, with increasing export volumes.

Last year the total export volume of foreign-funded enterprises reached more than four billion U.S. dollars.

### Leading Electronics Exporter Expects Sales Upsurge

OW2903094490 Beijing XINHUA in English  
0641 GMT 28 Mar 90

[Text] Beijing, March 28 (XINHUA)—China's leading electronics exporter anticipates a sharp upsurge in its sales overseas this year.

In the first two months of this year, the China National Electronics Import and Export Corporation (CEIEC) sold about 69.6 million U.S. dollars worth of electronics products abroad, 42.9 percent more than the same period of last year.

Export of cassette recorders through the corporation enjoyed a 47 percent increase over last year's same period, earning about 4.4 million U.S. dollars, said Li Dong, an official with the corporation.

Although export of color TV sets declined during the period, that of black and white TV sets enjoyed a 14 percent increase over the same period last year. The total export value of TV sets reached 21.6 million U.S. dollars.



This year, the government has authorized the CEIEC and the China National Consumer Electronics and Electronics Import and Export Corporation to monopolize the overseas sales of 14-inch and 12-inch black and white TV sets and 14-inch color TV sets.

Besides those major items, the corporation also sold electric fans, digital controlled machine tools, communication equipment, computers, washing machines and bearings abroad.

Although the specific number is not available, it is estimated that Hong Kong and Southeast Asian countries remained the corporation's largest importers.

While keeping its traditional market, it would pay more attention this year to exploiting markets in Western Europe, North America, the Soviet Union and Eastern Europe.

The corporation this year is planning to earn 480 million U.S. dollars from overseas sales, an increase of almost 20 percent over last year.

#### **Beijing Increases Exports in March**

HK0504110890 Beijing CEI Database in English  
0911 GMT 5 Apr 90

[Text] Beijing (CEI)—Beijing's export volume reached 108.68 million U.S. dollars in March, 9.4 percent more than the 99.34 million dollars in the same month in 1989.

Of the total, 14.65 million dollars worth of garments were exported, 2.95 million dollars over the 12.06 million dollars in March 1989. Beijing also earned 11.21 million dollars from exporting knitwear and the figure is 1.62 million dollars more than the 9.59 million dollars in the same month last year.

Statistics show that Beijing's export volume in the first quarter was 293.39 million dollars, a 10.2 percent increase as against the 266.18 million dollars during the 1989 same period.

#### **Fujian Becomes Major Television Exporter**

OW0504195390 Beijing XINHUA in English  
1524 GMT 5 Apr 90

[Text] Fuzhou, April 5 (XINHUA)—East China's Fujian Province exported 620,000 color TV sets last year, making it the country's top color TV exporter.

Last year the province's color TV exports accounted for one-third of the national total.

The province earned 90 million U.S. dollars from color TV exports to 30 countries and regions in North America and Eastern Europe.

#### **Guangdong Foreign-Funded Enterprises Boost Exports**

OW2803214390 Beijing XINHUA in English  
1541 GMT 28 Mar 90

[Text] Guangzhou, March 28 (XINHUA)—Foreign-funded enterprises in south China's Guangdong Province exported 267 million U.S. dollars worth of goods in the first two months of this year, up 200 percent over the same period of last year.

These enterprises earned 2.232 billion U.S. dollars from exports last year, up 85.7 percent over the previous year.

A provincial official said Guangdong had 9,508 registered foreign-funded enterprises by the end of last year, 49.75 percent of the country's total.

These enterprises are involved in electronics, textiles, food-processing, garments, building materials, machinery, pharmaceuticals, plastics, animal breeding, aquatic production and cultivation of fruits, flowers and vegetables.

About 6,000 of them have gone into operation and met their projections.

Some foreign investors say they are determined to increase their investment in the province.

#### **Guilin Hotel Venture Faces Financing Problems**

HK0404022990 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST)  
in English 4 Apr 90 p 1

[By Geoff Crothall]

[Text] A U.S. \$50 million syndicated loan for a joint-venture hotel in Guilin is to be rescheduled following a substantial increase in construction costs.

The Guilin Novotel, a joint venture between Kingsgrand Development Co. of Hong Kong and the Guilin Tourism Bureau, was originally scheduled to open in September last year but is now nearly a year behind schedule and is not expected to open before July at the earliest.

"The hotel owners are simply not in a position to repay the interest and principal under the terms of the original loan; they have no option but to reschedule," a source close to the project said.

The syndicate's lead manager, Royal Trust Asia, has agreed in principle to reschedule the loan and the package is expected to be finalised within the next two weeks.

The other members of the syndicate include West Germany's Dresdner Bank, plus a number of smaller banks from Italy, Belgium and France. The loan is guaranteed by Kingsgrand.

In addition to the rescheduling, Philippine property and retail tycoon Mr. Henry Sy, who controls Kingsgrand, is said to be raising money in the Philippines on behalf of the venture.

The rescheduling of the hotel's debt appears to have temporarily forestalled the threatened pullout by the Novotel's management company, Accor.

Accor has never formally announced its intention to pull out of its management agreement in Guilin, but the company's senior vice-president, Mr. Philippe Lamy, has hinted Accor was prepared to lose some of its even hotel contracts in China.

"It would not be surprising to find in the next few months we lose some (of our hotels in China) because the owning companies do not have the funds or means to survive," Mr. Lamy was quoted as saying at a recent conference in Hong Kong.

#### **Xian Hotel Defaults on Loans**

HK0404022790 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST)  
in English 4 Apr 90 p 1

[By Eva To]

[Text] Another leading Chinese hotel, Xian's Golden Flower, has been declared in default for failing to repay its overdue loans.

Shareholders of the joint venture hotel—involving China's Xian Tourism Services and the U.S.-based Kowin Development—have failed two repayments of close to U.S.\$2 million stemming from two loans totaling \$35 million.

The first payment was due in November last year and the second in January, but the shareholders have not yet come up with any formal proposals for rescheduling.

The lenders are keen to determine the shareholders' position as they want to decide on whether to call the entire loan.

Yet according to sources, the shareholders are wrangling over who should take the blame for the hotel's difficulties and could not speak with a unified voice.

There are suggestions that the mainland partner—or its state-backed Xian authorities—should shoulder part of the financial burden because tourist visits tumbled in the wake of the Beijing massacre in June last year.

The Bank of China, which is also a lender in the syndicated loans, was also asked to help.

However, neither suggestions were accepted.

"We [as lenders] are frustrated by the inability of the shareholders to come up with any proposals," one lender said.

The lenders are studying the possibility of legal action to recover the debt.

Negotiations with the shareholders and loan guarantors are continuing.

Occupancy levels in most mainland hotels nosedived after the political turmoil in June and have recovered only marginally in many cases. Before the June events, Golden Flower was heavily booked with close to full occupancy during peak seasons.

Guilin Sheraton and the Shanghai Hilton have also asked to have their loans rescheduled as cash flows dwindled since June.

The hotels were financed by two groups of banks, which complicated the picture, reducing the chance of an early agreement.

The first loan, for U.S.\$10 million, was signed in 1983 for nine years to finance construction of the hotel's first phase of 210 rooms. The second loan was raised four years later for \$25 million with final maturity of eight years for the 300-room extension.

Six banks put up funds for the first loan and nine for the second.

Den Norske Creditbank (DNC) was the agent of both loans, with the first being handled by the London office and the second in Hong Kong. This line of responsibility is still adopted in the current talks.

According to the lenders, it has not been established if rescheduling is possible.

#### **New Shanxi Body To Manage Foreign-Funded Energy Projects**

OW3003105990 Beijing XINHUA in English  
1033 GMT 30 Mar 90

[Text] Taiyuan, March 30 (XINHUA)—The Shanxi Luliang Energy Development Corporation has been set up to manage energy projects funded with foreign capital.

The corporation already has several projects planned.

The Asian Development Bank has provided 39.7 million U.S. dollars to help Shanxi build a railway, and the Chinese Government is considering building a coke plant, a calcium carbide plant and a modern coal mine with foreign capital.

#### **Shenyang Exports Radial Drilling Machines to USSR**

SK0604060390 Shenyang Liaoning Provincial Service  
in Mandarin 2300 GMT 2 Apr 90

[Summary] Six heavy-duty radial drilling machines, manufactured by the Shenyang (Qingxi Youyi) Plant,



were exported to the Soviet Union on 27 March. A total of \$1.3 million worth of foreign exchange was created for the state.

### **Tianjin Urged To Maximize Port Potential**

900H0344A *Tianjin NANKAI JINGJI YANJIU*  
[NANKAI ECONOMIC JOURNAL]  
in Chinese No 6, Dec 89 pp 27-31

[Article by Guo Xingcheng (6753 0207 2490), deputy director of the Economic Research Institute of the Tianjin Finance and Economic Academy: "Some Thoughts on Giving Play to Tianjin's Port Potential To Further Open Up to the Outside World"]

[Text] As China's major coastal port and open city, what status will Tianjin acquire as the Asian Pacific region's economy takes off, what role will she play in China's coastal economic development strategy, and how can she play this role more effectively and give prominence to herself? These questions require serious and immediate studies, and we need to come up with feasible ideas and programs. I think the most important question is how to give full play to Tianjin's harbor and tap its potential and maximize its utility.

#### **I**

In order to further develop Tianjin's economy, we must emphasize its multiple functions as a port.

First, let us look at the relations between a port and a city in general. In the wake of scientific and technological and economic developments and the consequent development of commerce, maritime industry, and international trade, the economic development of a city or town and the development of a port, where ships are moored and cargoes are loaded and unloaded, and ships' supplies are replenished, often take on an interdependent and collaborative relationship. One method of collaboration is for the city to provide the driving force, that is, by nurturing and developing those urban industries that complement the port's functions, the city brings prosperity to the port and promotes its development and strengthens the overall port-city structure. Another way is for the port to generate the pulling force; that is, by giving play to its multiple functions, the port gives impetus to urban economic development. This is the more common situation and should not be overlooked. A port's multiple functions not only are of strategic significance to its own rise and fall but are also the force that determines the direction, speed, and scale of urban economic development. This phenomenon of the port giving impetus to the city can be described as "the port energizing the city" or "energizing the port to promote the city's prosperity." Today, there are more than 3,000 international trade ports in the world. The Netherlands' Rotterdam, Belgium's Antwerp, West Germany's Hamburg, Japan's Kobe, South Korea's Fusan, and China's own Hong Kong are all famous international cities with well developed communications, trade, industries, and financial operations that owe their existence to their

ports. Thus, "the port energizing the city" is in fact an important law in the relationship between port and city developments. For this reason, if we want to further promote Tianjin's economic development, besides continuing to give play to her many advantages, we must do the utmost to maximize its utility as a port.

Second, let us look at Tianjin's many functions. Tianjin Harbor faces Bo Hai and backs against China's largest northern industrial-commercial city, Tianjin Municipality. It is located strategically in the hub of China's sea, land, and air transportation network. It has good climate and abundant material and human resources. The port is large and the coastline is long; it boasts China's largest and most advanced container dock, with many berths to accommodate the larger ships, and it operates scores of regular international shipping lines, with connections to more than 160 countries and regions. These factors enable Tianjin to take on many functions as a port. Meanwhile, Tianjin Harbor is a manmade harbor. Understandably, some people are prejudiced, worrying that a serious siltation problem will choke the port's development. Some even assert that, as Beijing's gateway, Tianjin Harbor will eventually be replaced by other ports. No doubt, deep, wide, and expansive natural harbors have many advantages and can easily be developed into fine, major ports. But we cannot ignore the objective facts and write off all the advantages of manmade harbors or deny that they have their advantages. Take Tianjin's Xingang for example: When construction began in 1939, in the early days, much work was put into dredging the channel, repairing, and building new breakwaters, but we could not solve the backfilling and siltation problems. In order to guarantee the safe sailing of ships in and out of port, we had to constantly dredge the channel to keep it open. Since the founding of the PRC, especially since 1958, when we brought the Haihe River under permanent control, silt deposits have not been a problem; further repair and construction of breakwaters also helped to control the deposits. The fact is, Xingang is not handling less but is actually handling more shipping today. It should be pointed out also that while assessing a port's benefits, we cannot just look at the absolute increase or decrease in the amount of dredging needed; rather, we should compare the amount of dredging to the cargo handling capacity. In other words, the measurement should be in terms of the amount of dredging needed per unit of cargo handled. On this basis, as the port's cargo-handling capacity increases, the average amount of dredging per ton of cargo will drop. This is exactly what is happening in Xingang: In 1957, five cubic feet of dirt was dredged per ton of cargo handled; in 1988, the figure dropped to 0.4 cubic feet. Especially important is the fact that, as far as port development is concerned, manmade ports are more adaptable than natural ports, and therefore they are better able to give play to a port's multiple functions. For example: (1) Their original channels can be deepened and widened, new channels can be added, and piers, basins, and berths can be built or expanded with ease; (2) it is relatively easy to fill and reclaim land to turn

"waste" into "treasure" and make more land available for building warehouses, freight yards, processing facilities, and industrial zones; (3) vast wasteland in the port's vicinity can be developed to accommodate all sorts of facilities to give play to the port's multiple functions. All these no doubt facilitate a port's development (expand its handling capacity and develop new functions). In addition, Xingang's geographic location and other factors also provide many possibilities for developing land transportation between Tianjin and Europe and for duty-free storage, processing, and industrial activities.

Furthermore, we should look at the way Tianjin Harbor is discharging its functions today. We have to admit that Tianjin Harbor has given full play to its transportation and communication functions; its freight handling capacity has been increasing. But, as international economic and technological cooperations and interchange develop, most modern international harbors not only have increased their container shipping capacity, so that many harbors have developed into hubs and major ports, but many have also increased those functions which promote their own economic prosperity as well as the prosperity of the areas around them and even of the whole country. Yet, Tianjin Harbor has remained a one-purpose port. It is still just a harbor for loading and unloading cargoes. Statistics show that 80 percent of the cargoes handled here are import-export goods and the remaining 20 percent are cargoes shipped between the interior cities and the port. In other words, Tianjin has not developed an international cargo transshipment business and has not developed the storage and processing operations that usually accompany the transshipment business. As a result, in the port itself, and especially in its general vicinity, land that should be developed and put to use is abandoned. If the need should arise, or if there is the possibility, we should develop this land as much as possible and put it to use. This will multiply the port's functions, boost its economic efficiency, and promote its development and prosperity. For example, the Tianjin Port Office recently entered into a joint venture with the Netherlands' Java [?] Group of Rotterdam to operate a commercial duty-free warehouse complex. In the first phase, four warehouses occupying 20,000 square meters of land were opened for business in May, and they are already playing a positive role in attracting foreign cargo-owners, developing import-export trade, guaranteeing the import of urgently needed goods and materials, reducing import-export costs, offering convenient services for the joint-ventures, tapping the port's potential, and increasing its efficiency. For this reason, if we diligently learn from the successful experiences of other international ports and put our own potential to use according to international practices, Tianjin Harbor can change its one-purpose image and quickly develop into a multipurpose international port, and then promote its own prosperity and help Tianjin Municipality and even the country open up to the outside world.

## II

The issue of what Tianjin Harbor should do and what measures it should take in order to expand its functions:

Tianjin Harbor has many advantages and has the potential to develop many different functions. Personally, I think we should look into the following aspects to tap its potential and increase its functions.

First, build a bridge to link Tianjin and Continental Europe and add an international cargo transshipment function to the port.

A modern port is constantly taking on more functions and trying to do a better job, but cargo transshipment is the most elementary and basic function of the largest and the free ports of the world. Failing to perform that function, a port can hardly be called an international hub, nor will it be able to discharge its other functions effectively. One of the main reasons why Tianjin Harbor has remained a one-purpose port, that is, it only handles import-export cargoes and the transport of goods between Tianjin and the interior, is that it has no international cargo transshipment function. Therefore, if we want to expand Tianjin Harbor's transportation functions, especially if we want to give it a new function, we must put the emphasis on its international cargo gathering and distribution function. But is Tianjin Harbor equipped to handle this added function? Of course, Tianjin is located at the northwest tip of the Bay of Bo Hai, which is far from the main international commercial shipping lanes, and that has long been her handicap. But Tianjin has the potential to build a bridge to Eurasia, and this will greatly boost her international cargo transshipment function.

As international economic cooperation and trade continue to expand, we not only need well-developed sea and air transportation but also speedy, economical, and reasonable land transportation. But so far, trade between Europe and Asia has always taken the sea route, which means a longer delay, higher prices and is very uneconomical. The only land bridge between Europe and Asia that originates in Nakhodka in eastern Soviet Union was opened in 1971. It forwards the container cargo shipped through Japan and Hong Kong and other ports and transports the merchandise traded among the more than 30 countries (regions) in the Pacific region and along the Atlantic coast. This route is much shorter, and clearly less expensive, than the sea route through the Suez Canal or around the Cape of Good Hope. But the eastern part of this route is closed in the long, frozen winter and the natural environment does not facilitate rail transport. Moreover, efforts to develop Siberia have resulted in a serious lack of rail transport, and the capacity falls far short of the needs of increasing international freight transshipment. But the Soviet Union and Mongolia have agreed to cooperate on the matter of transshipment through their territories. This is a positive factor in China's opening of a land route to Europe.

To access the Eurasian bridge by landing in Dalian, Tianjin, or Lianyungang in China will cut the sea transportation distance for the Asian countries compared to accessing the bridge from the Soviet port, and it also shortens the land distance and lowers the transportation cost. Take the distance to Hamburg in West Germany for example: The Dalian-Manzhouli route shortens the distance by 926 kilometers, the Tianjin-Erenhot route is 1,423 kilometers shorter, and the Lianyungang-Alataw Shankou route is 2,773 kilometers shorter, and for each container that reaches Hamburg, it translates to a saving of \$126.5, \$160, and \$500, respectively, in transportation cost. Thus, trade between Europe and Asia conducted over land via the above Chinese ports will be more reasonable and economical in terms of distance, time, and cost than by sea or via the Soviet port, and this can be very attractive in any European-Asian trade. As for which port should be picked to be the starting point of the land bridge, we should consider the revenue factor. For example, for each container that weighs 15 tons, the three ports can charge the same transit fee of \$76.5 (\$37.5 in agency charge, \$37 in transshipment charge, and \$2 customs handling charge); the transportation charge should be directly proportional to the distance by rail, and Lianyungang should turn out to be the first choice as the port of landing; Dalian Harbor is the second choice, and Tianjin is the worst choice (for the Manzhouli route, however, Tianjin is at par with Dalian.) Meanwhile, we must also consider the revenues generated by freight if the route should pass through other countries. But more important, we must consider the cargo-owners' expenditure; otherwise, it may turn out to be just wishful thinking, and after the land bridge is built, it may not turn out to be as profitable as hoped. Considering these and considering the complicated geographic conditions, the absence of container docks, and the fact that the railroad has not been completed, we should not open the Lianyungang to Alataw Shankou route at least for now. On the other hand, Tianjin Harbor boasts of China's largest container dock today, and because from Tianjin Harbor we can go either to Erenhot or Manzhouli to start the land bridge, actually, Tianjin is a good choice. Therefore, Tianjin Harbor may possibly develop into a hub for gathering and distributing international commercial goods, and this will lay a solid foundation for increasing the port's income and functions.

Second, we should set up some duty-free warehousing zones and expand the port's storage and transshipment functions.

Duty-free warehousing zone is also called tax-exempt warehousing zone and is one type of economic free-zone. It means, with the approval of the customs of a sovereign state, a zone is designated in the port or in a key communication hub which allows foreign goods to be stored permanently, free of duty and excused from import-export procedures. Goods entering the zone or reshipped overseas are not subject to customs duties and are taxable only if they later enter a zone under the

jurisdiction of the country's customhouse. If given permission, the goods in the duty-free zone may be categorized, graded, selected, sampled, kiln-dried, repackaged, labelled, mixed, or otherwise processed and exhibited for sale. Goods can be stored for a period of several months to several years; passed-due goods not picked up will be deemed abandoned and will be auctioned off. Establishing a duty-free warehousing zone requires little investment, generates quick results, is easy to get started, and will incur little loss even if it should fail. The sovereign state earns service-related foreign exchange income for loading and unloading, transporting, and processing the goods. The cargo owners can sit tight and wait for prices to rise and sell their goods when most opportune, which makes it easier to do business. That is why such zones are very popular in many international ports.

Duty-free warehouses can be found in many of China's better known open cities such as Shanghai, Chiwan, Tianjin, and Xiamen, and they have had good results. Take the experimental commercial duty-free warehouses in Tianjin Harbor for example: Due to their skillful services and extensive efforts to attract foreign cargo-owners, the 20,000-square-meter storage facility built during the first phase is filled to capacity. Duty-free warehousing zones not only takes full advantage of a port's facilities to attract foreign ships, helps to develop China's ocean shipping business, adds an international cargo transshipment function, and increases Tianjin Harbor's cargo handling capacity, but also plays a positive role in facilitating China's effort to attract foreign entrepreneurs to invest and build factories here, in increasing employment, developing the port's processing function, promoting the port's and Tianjin Municipality's externally-oriented economy, and increasing foreign-exchange income. If the Tianjin-European land route is opened, and if there is sufficient freight transport, it will definitely increase the demand for duty-free warehouses. Not only will we find the existing 20,000-square-meter facility inadequate, but even if the second and third phases are completed, the 60,000-square-meter area will still fall short of our needs. Therefore, as we actively plan to open up the Tianjin-Europe land route, we must begin to study and be prepared to expand and turn the originally-planned duty-free warehouses into a duty-free warehousing zone.

Besides the above-described significance, a duty-free warehousing zone will lay the necessary foundation for developing a free port and will "test the water" for us, because international cargo transshipment and storage are the two basic characteristics of both primitive and modern commerce-oriented free ports.

Meanwhile, there are many other advantages for Tianjin to set up a duty-free warehousing zone. For example, the Tianjin-Europe land route will attract ample foreign cargoes; after the expansion of the Zhangguizhuang Airport, attention will be directed mainly toward domestic and foreign freight transport, and this will provide a source of goods for the duty-free warehousing



zone; there is ample supply of land for developing cargo facilities and building warehouses; Tianjin has many qualified customs officers and good management, and there is ample supply of quality staff and workers of all kinds.

We can consider the following plan when setting up a duty-free warehousing zone:

(1) If the supply of goods creates the demand, we can set up three duty-free warehousing zones in stages. First, we can set up a duty-free warehousing zone where the port office already has its duty-free warehouses, and they will be used mainly to store foreign goods in transit via sea routes and the Tianjin-Europe land bridge. Second, we can make arrangements to expand the existing warehouse facilities near Zhangguizhuang and turn them into a duty-free zone; it can serve as a branch zone for the port office's duty-free zone and can also be used to store air cargo. Third, along with the construction of the Nanjiang Dock, we can consider building a duty-free dock and an accompanying warehousing zone to store liquids in transit or imported into this country, and by offering repackaging service, we can earn foreign exchange.

(2) Proceeding in an orderly and step by step fashion, we should plan the total area of the duty-free warehousing zone. Its size should depend entirely on the supply of goods. The existing duty-free warehouses in the intended duty-free zones are already "testing the water." Upon further investigations, studies, forecasts, and analyses, we will probably have a good idea of what the supply of goods will be. Then, according to the principle of gradual expansion, we should minimize their initial sizes. It must be pointed out that, in determining the initial area, we should consider not just the total amount of goods but also the construction of different types of warehouses and freight yards for different types of goods as well as the amount of land needed for the construction of roads and processing facilities. Take the expansion of the port office's duty-free warehouses for instance: For the first step, we can consider expanding the 150,000 square meters in the original plan to 300,000-450,000 square meters.

(3) With regard to the duty-free warehouses' management, to prevent smuggling and to make things convenient for the cargo-owners, the duty-free zones should be managed according to international practices. We can consider building a wall around the zone and so on. Goods stored in the zone are tax-exempt, nor do they pay any security deposits. Goods in the warehouse are locked up by customs and the warehouse manager and insured by the owner himself. Goods that exit the zone and continue onward out of the country are exempt from duty; goods entering directly into a zone under the jurisdiction of Chinese customs must pay customs according to regulation. Depending on how prosperous a warehouse or a freight yard is and the types of goods and the turnover rate of the stored goods, we can limit the term of storage to two months, six months, one year, two

years, or even five years. Goods not collected after an expired term has already been extended once will be deemed abandoned and will be auctioned off, and the proceeds will be used to pay warehouse rent, customs, and other fees; the residual will be returned to the cargo-owner. We can set our storage fee and customs supervision charge for uncollected goods base on, or slightly lower than, what a similar warehouse or freight yard in Hong Kong would charge. We should assign clearly marked transportation equipment and escorts to move the goods among different warehouses and yards within the duty-free zone or when reshipping them out of the country or to a different duty-free warehousing zone. With custom's permission, the goods can be graded, selected, unpacked, packaged, cleaned and sprayed, mixed, and labelled in designated areas within the zone.

(4) With respect to a duty-free warehousing zone's operation, we should permit only the state-run units to run and operate it. Most facilities within the zone should be state-owned. We can also consider joint-ventures with foreign businesses to facilitate foreign capital utilization, import of advanced technologies and equipment and management techniques, and development of new sources of goods.

Third, we should set up an export processing zone to increase the port's industrial functions.

Export processing zone is a part of the essential infrastructure, preferential treatment, and conveniences provided by a sovereign state. It is a type of free industrial zone located near a port and is used to attract foreign investment, bring in technological facilities and management experience, increase employment, and develop the export-oriented processing and manufacturing industries. As economic free-zones, they are not only very popular around the world but are beginning to show up in Fujian, Zhejiang, and other coastal cities in Mainland China. If an export processing zone can be set up near Tianjin's Xingang, it will increase the port's industrial function and its export and foreign-exchange earning capabilities. If Tianjin plans to set up an export processing zone, in light of its level of industrial development, it should emphasize the labor-intensive type, "three kinds of partially or wholly foreign-owned" industrial enterprises and the "three forms of import processing, and compensation trade" to help boost total employment and to take over some of the industrial projects being abandoned by the "four small dragons." As for the raw materials, parts and spare, and equipment needed for production, besides importing what must be imported and making use of the goods and materials stored in the duty-free zone which are for sale, we must make full use of what Tianjin Municipality and the other cities and provinces can supply. The majority of the goods processed and manufactured by industries within the zone should be destined abroad. The zone can be located anywhere near the harbor, or it can be located within the originally planned economic and technological development zone, so as to facilitate the import and

export of raw materials and finished products. To prevent smuggling and other problems, we must build some temporary, easy to assemble isolation facilities. Preferential treatment and conveniences extended to the "three kinds of partially and wholly foreign-owned enterprises" within the zone may be similar to those offered by the economic and technological development zones.

Fourth, we should set up a scientific-industrial park to increase the port's advanced-technology industrial function.

The scientific-industrial park is a special zone designated by the sovereign state for researching and developing high-tech products and for cultivating and opening up new international markets. It is a free zone which offers complete facilities, more preferential treatments, and all kinds of conveniences to entice foreign companies to invest and to attract high-tech personnel, and it hopes to develop new industries through the tripartite efforts of scientific and research organizations, colleges, and industrial departments. In terms of technological, industrial, and management standards and human resources, Tianjin indeed is well-equipped to set up a scientific-industrial park. It has already come up with many valuable ideas and has proved itself in recent years. Most people favor a site near Tianjin and Nankai Universities. This is a good choice, but in order to facilitate the implementation of the unique open policy and measures, to accommodate the construction and perfection of the accompanying infrastructure, to strengthen various foreign relations, to provide entertainment and relaxation for the foreign nationals, to secure and develop the land, and to facilitate management and administration, a site near Xingang may be more suitable. Although this location is farther away from the colleges and the science and research units, because of convenient transportation, all kinds of cooperations and relations can still be fostered. The attention of that zone should be directed toward the development of chemical industry, biological projects, oceanographic projects, mechanical and electronic and other industries that require meticulous work, so as to give play to its role as forerunner in developing new industries and in researching and developing new products, which will help open up international markets, and also give play to its pivotal role in introducing new industries and new technologies to Tianjin Municipality and to the whole country. For this reason, we must build laboratories that meet international standards, factories, apartments, amusement parks and beach facilities, as well as shopping centers and extend even more preferential and convenient terms in taxation, services, and assorted fees than the development zones in order to entice the foreign high-tech science research organizations, manufacturers, and professionals to effect cooperation with the relevant departments in Tianjin Municipality and even Beijing Municipality. The actual site can be within the development zone's planned scope, but the size should be kept under one square kilometer.

Meanwhile, if the port is to discharge the above functions effectively, besides relying on the existing port and

the development zone, we must further strengthen such infrastructure as piers, berths, roads, communications, and energy resources and develop the economic and technological information industry, develop the fund, technology, and service markets, strengthen the management and service organizations which are essential to the decontrol process and which are highly efficient, and perfect the many rules and regulations.

If we manage to turn the above ideas into reality, Tianjin Harbor will surely become a bona fide multipurpose international port. Then, Tianjin Harbor and Tianjin Municipality will be simply dynamic in opening up to the outside world and will make great strides. Tianjin's economy will take a big leap forward and will become very prosperous in no time. Its status in China's coastal economic development strategy will be enhanced and its role boosted, and it will play a role that will catch the world's attention as the Asian Pacific region's economy takes off.

#### **Tianjin Port Handles More Exports**

OW0404034890 *Beijing XINHUA in English*  
0232 GMT 4 Apr 90

[Text] Tianjin, April 4 (XINHUA)—Tianjin port handled 300 million U.S. dollars-worth of export goods from January to mid-March this year, up five percent over the same period of last year.

According to the Tianjin Municipal Statistics Bureau, exports of food, grain, edible oil and health care products registered the biggest increases.

### **ECONOMIC ZONES**

#### **Qinhuangdao Improves Investment Climate**

SK0404134090 *Shijiazhuang HEBEI RIBAO*  
in Chinese 2 Mar 90 p 1

[Excerpt] Since the State Council's successive approval of opening Qinhuangdao City and Changli, Funing, and Lulong Counties to the outside world, they have actively improved the investment climate, accelerated the building of infrastructural facilities, used foreign capital through many channels and forms, brought in advanced technology, run Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises, and have scored fairly good achievements. So far, Qinhuangdao City has built 24 deep-water berths with a total cargo handling capacity of 92.35 million tons, thus becoming the largest energy-export port in the world. It has greatly improved technical equipment such as urban telephone communications, and put portable radio telephones into use, thus becoming the city with the most advanced communication conditions in the whole province. In civil aviation, it has opened air routes to Beijing, Shanghai, and Guangzhou. It has also made noticeable achievements in building highways and railways. Qinhuangdao City is among the front ranks in the province in the use of foreign capital and import of foreign

advanced technology. So far, the city has received approval to build 51 projects with foreign capital. Its contract investment volume totaled \$360 million, one-half of the province's total. During the last six years, the city imported 79 advanced technologies and equipment from 14 countries, including Japan, West Germany, and the United States. So far, 67 projects have been completed and put into production. After attaining the designed production capacity, these projects will generate an additional output value of 650 million yuan annually, and will create 190 million yuan of profits and taxes, and \$15 million of foreign-exchange earnings. The whole city has also invested 330 million yuan in technological transformation. All these have helped to greatly raise the technological level and equipment of enterprises and accelerate the development of new products. (passage omitted)

## AGRICULTURE

### Price, Purchase System Called Crux of Grain Problems

90OH0487A *Beijing NONGYE WENTI (PROBLEMS OF AGRICULTURAL ECONOMY) in Chinese No 2, 23 Feb 90 pp 7-11, 37*

[Article by the Grain Studies Group of the Ministry of Agriculture's Economic Policy Research Center]

[Text] According to the national economic development plan, China's grain production should reach 500 billion kilos by the end of this century; therefore we must increase grain output by an average of nearly 10 billion kilos a year. This is a formidable task. The time has come for us to really think about and try to solve China's grain problem.

#### I. China's Grain Production Is Still Facing Grim Prospects

Since grain production plunged in 1985, China's total grain output has fluctuated and stalled for four years. Conditions improved in 1989 when total output topped 407.45 billion kilos, comparable to the historic record set in 1984. But we must also be sober-minded and realize that behind China's short-term grain production increase there are basic problems that affect future productions which are still unsolved. Overall, grain production is still facing very grim prospects. Specifically:

1. The total demand for grain far exceeds the total supply. In the last few years, the demand for grain has been increasing at a rate of 10-15 billion kilos a year. Today, around 50 billion kilos are sold to the state under the fixed-quota grain purchase system, and another 75 billion kilos or so are sold at parity price. In 1988, China's net grain import topped 8.15 billion kilos.

2. Some of the policies and measures promulgated by the central government in 1989 have not been fulfilled. For

example, the special management of agricultural means of production may have reduced the number of marketing channels, but it has not put prices under control. The average price of chemical fertilizers for January-May has gone up 13.65 percent compared to the same period a year ago; the average price of pesticides has increased 18.65 percent, and the average price of plastic sheeting has increased 4.45 percent. Take the seven fund-gathering channels for the agricultural development fund proposed by the central government as another example: Taxes such as the town and country enterprise tax, special agriculture and forestry tax, individual industrial and commercial enterprise tax, and private enterprise tax either have not come through, because the money is considered a part of the local government's budgeted income under the contracted financial responsibility system, or they exist in name only and not in fact, because some local financial departments are inept.

3. The macroeconomic environment still does not favor grain production. First, prices are way up. Higher agricultural means of production prices account for much of the additional seven percent price increase in 1989. Statistics show that in the first quarter of 1989, the price of agricultural means of production has risen 23.3 percent compared to the same period a year ago. In April alone, prices went up 22.2 percent, increasing much faster than the year's fixed-quota grain purchase price. For this reason, in some localities, peasants who plant grain are actually losing money. Second, little progress has been made in reducing the scale of fixed asset investment. Only 5.4 percent of the constructions already in progress have been cut. Both the central and local governments are still in a tight financial situation and have very little funds to put into agriculture.

In short, because of the above problems, and especially because they are reflected in the commodity grain growers' lack of motivation, we must not be overly optimistic about the present grain production situation and even less overlook and diminish agriculture's basic role again. It is not an exaggeration to say that if we fail to adopt drastic, effective, and basic measures now to eliminate those factors that are hampering grain production as soon as possible, China's grain production will continue to fluctuate and stall, the grain shortage problem will only get worse, the nation's economic development will be constrained, the restructuring of the economic system cannot move forward, and the resulting socioeconomic problems will mount.

#### II. The Crux of the Grain Problem Lies in the Unreasonable Grain Prices

Most people generally agree that China's grain production has been fluctuating and stalling since 1985, but they clearly disagree on what caused the situation and how to deal with it.



Actually, if we look at the voluminous studies on grain production made by the relevant departments and localities since 1985, the cause of the production fluctuation and stagnation is quite obvious. It is the diminishing comparative advantage of growing grain. This decrease in turn is because the grain producers, as producers of a product, are the last to raise prices, but as consumers of agricultural means of production, the input, they are facing soaring prices. Specifically: (a) Fixed-quota grain purchase prices are clearly lower than market prices—the difference between the two has increased from around 50 percent a few years ago to around 100 percent today. (b) The price ratio between grain and fertilizer (the price of grain is based on the average composite purchase price and the price of fertilizer is the overall sale price) has dropped back to the 1978 level. In 1978, the grain to fertilizer price ratio was 1:1.14; during the 1979-1983 period, the average price ratio climbed to 1:1.5; in 1984, the ratio dropped back to 1:1.22; in 1987, it fell further to 1:1.19, and in 1988, the ratio dropped to 1:1.15. (c) The price parities between grain and other agricultural products have increased. Since the reform of the centralized agricultural product assigned purchase system in 1985, the purchase and sale price and purchase and sale channels of fruit, vegetable, aquatic and other agricultural products have been decontrolled and are now subject to market regulations. The producers' income has soared. However, grain, cotton, oil, and other staple agricultural products are to a large extent still under the fixed-quota purchase system where prices are substantially lower than in the market. There has been little increase in the producers' income. In 1985, the after-tax net earning per mu of grain was 1.63 yuan more than the year before, a 4.5 percent increase, while cash crops (cotton, hemp, tobacco, sugar) earned 36.86 yuan more, an increase of 25.9 percent, and fruit (apple, citrus fruits) earned 304.19 yuan more, a 54.6 percent increase.

If we are certain that grain production fluctuates and stalls mainly because prices are unreasonable, which diminish the comparative advantage of growing grain, then it is only logical that to end the fluctuation and stagnation, clearly, we must be practical and realistic and deal with the unreasonable prices and the low comparative advantage for peasants to plant grain. On the one hand, we should gradually raise the grain purchase price; on the other hand, we should stabilize the sale price of agricultural means of production in order to keep the price ratio between grain and other agricultural and industrial products natural and reasonable, so that producing grain generates not only sufficient income to cover cost but also an economic income that equals society's average profit.

But many comrades believe that raising the grain purchase price will, one, increase government subsidies; two, increase the consumers' economic and psychological burdens; and three, jack up the price index. In addition, even if we are ready to raise the grain purchase price, it is impossible to raise it to a level at par with the

prices of cash crops or secondary and tertiary products (or services). Therefore, these people do not want to tinker with grain prices; instead, they advocate finding a broader solution outside of the realm of grain prices. Their approaches can be summed up in the following ways:

**1. Renovate the land-ownership system.** This suggests that the crux of the grain problem lies in the unclear property rights to land and therefore the peasants' land input and management are unpredictable. Meanwhile, when land is divided up evenly, the plots are scattered, management is fragmented, and there is little economies of scale. The solution to the grain problem lies in clarifying the property rights to land and in increasing farm size to achieve economies of scale. In the future, how to clarify the property rights and put land under a bona fide collective ownership system will indeed be a major issue to be resolved during the in-depth restructuring of the rural economic system, especially when we stabilize and perfect the output-related contract responsibility system, which is primarily a family contract system. But obviously, if grain prices continue to be unreasonable, even if the property rights to land are straightened out, the grain farmers will still be unable to balance their input and output and their economic benefits and management results through prices established in the market place. So, we still cannot guarantee that they will plant grain and not, or less, other crops. Fragmented management may be a fact of life, but overall, it is still premature to promote economies of scale of land as China's main agricultural development goal.

**2. Substitute taxation or land rent for state purchases.** This suggests that we should accomplish reform of the grain purchase and sale system by levying an agricultural tax or converting taxes (as published) to rent. (1) Substituting taxation for state purchases: We should raise the agricultural tax rate and volume, and instead of cash substitute, we should once again accept in-kind payments. Meanwhile, we should cut back on state purchases and decontrol the purchase price. The state can use the additional agricultural tax revenue and savings from reduced purchases as supplement to pay for the grain at decontrolled prices. The peasants' extra income from selling more grain at negotiated prices and selling grain to the state at decontrolled prices will make up for the additional agricultural tax. In this way, without adding to the burden of either the state or the peasants, we can smooth out the grain price relations and radically restructure the grain purchase and sale system. (2) Substituting land rent for purchases: Property rights should be clearly separated into bottom right (ownership right) and surface right (use right), and if the state retains the bottom right and the peasants have long-term surface right, the state can collect land rent from the peasants. The rent can be 1.5 percent of the total output, and at this rate, the state should get about 60 billion kilos of publicly-owned grain. Or if the rent is based on total area, out of the 1.6 billion mu of farmland, even if we deduct the 400 mu of farms in poverty-stricken areas and

collect an average of 50 kilos per mu from the others, the state should also get about 60 billion kilos of grain. If we implement reform along this line, the benefits to the state are obvious. No doubt, the above two plans have been well thought out, but both are hoping to accomplish grain price reform and restructure the purchase and sale system without touching the existing interest structure, and both are basically unworkable. With respect to the first plan, actually, restructuring and perfecting the agricultural tax system and combining it with the price and credit levers to regulate grain production are necessary for the development of commodity production and exchange. But both the starting point and the end result of this regulation should be to protect the interests and the initiative of the grain producers. In particular, since grain prices are way out of line, and because efforts to correct this situation have run into many obstacles, the tax lever more than ever should play a supplementary role to protect the grain producers' interests. At present, the peasants' agricultural tax burden is indeed light. Agricultural tax only comes to 3 percent of the total grain output, or about 1 percent of the GVAO. On the other hand, the peasants' non-tax burden (primarily the price scissors and social burden) is very heavy. Statistics show that since 1979, the nation's agricultural tax has generated around 3-4 billion yuan a year in revenues, and according to the Ministry of Agriculture's Comprehensive Planning Department's calculation, the relative price differential has narrowed from 25.3 percent to 15.9 percent but the absolute differential has widened from 44.18 billion yuan to 67.67 billion yuan during the 1979-1984 period. Since 1985, the relative price differential has decreased, but only very slowly: During the 1979-1984 period, the relative differential was decreasing at a rate of 1.57 percent a year, but in the 1985-87 period, it has slowed to 0.93 percent a year. On the other hand, the absolute differential has been increasing rapidly: During 1979-1984, the absolute differential was increasing at an average rate of 7.4 percent a year, and in the 1985-87 period, it was increasing at an average rate of 15.6 percent a year. By 1987, the absolute price differential has reached 104.54 billion yuan, 1.37-fold the 1978 figure.

As for the peasants' social burden, based on several sample surveys, a peasant's social burden is approximately 15 percent of the per capita income. At this rate, in 1988, the total social burden of the country's peasant population should amount to more than 60 billion yuan. Under the circumstances, it is obvious that if we only look at the peasants' light tax burden, we will be overlooking their nontax burden and we may single out the issue and want to increase their taxes. The result of this will be a net increase in the peasants' economic burden. If so, even if the state should return some of the benefits to them in the form of higher or decontrolled purchase prices, they will not be happy, because "afterall, the wool still comes from the sheep's back"—whatever they are given, they pay for, and the comparative advantage of planting grain remains the same despite it all.

As for the second plan, the defects are very obvious. One, it is founded on the premise of state-ownership of land, which robs the peasants and the collectives of their property rights. Two, rather than purchasing the grain, even at a low price, the state exacts a land rent without paying compensation—this compromises the peasants' interests even more. Three, merging agricultural tax with land rent mixes up the state's roles as owner, regulator, and manager and confuses the difference between rent and tax. As owner, the state is entitled to collecting land rent, as regulator and manager, it is entitled to collecting taxes. If the state collects both, the peasants' burden will be very heavy, but it will be unreasonable for the state to collect only rent and not taxes. Four, like the first plan, this plan also overlooks the peasants' non-tax burden.

**3. Increase grain import.** This means long-term, massive import of grain from the international market through the great international resource circle in order to increase domestic grain supply. We believe that it is both necessary and possible for China to adopt a policy that allows both import and export in order to regulate the year-to-year, regional, or specific crop surpluses or deficits. But it will be very impractical to advocate complete dependence on the international market for our grains. One, China has huge grain production potential. Not only can we improve the moderate- and low-yield farms which make up two-thirds of the existing farmland but there is another 500 million mu of undeveloped land waiting to be developed. In addition, agriculture is utilizing little science and technology at this point: The utilization rate is only about 30 percent, much lower than that of the well-developed countries. Two, the cost of importing grain is no less than producing it at home. If we import 30 million tons of grain each year, based on the January 1980 export price of U.S. No. 2 winter wheat at \$174 a ton plus 18 percent shipping and insurance, it will cost us more than \$6 billion. Converted to RMB, this is more than our total agricultural support fund for the year; we simply cannot afford it. Three, if we spend huge sums of foreign exchange on importing grain, we will be squeezing out the import of advanced technologies and equipment. This not only will not increase the domestic grain production capacity but will undermine industrial production or even the development of the national economy. Four, there is little grain for sale in the international market. Five, China's harbors and docks do not have the capacity to handle the high volume. Six, to be overly dependent on other countries economically is to give them a bargaining chip if they should pursue political expansion. It is extremely dangerous.

**4. Limit grain consumption.** This means easing the pressure on the inadequate supply by reducing the consumption demand for grain. Today, China has a huge consumption demand for grain, and there is a lot of waste. Much can be said about limiting consumption demand, but in the final analysis, this is but a remedial measure we are forced to accept because China is facing serious grain shortage. This is not a substitution for production,

even less a way to mobilize the peasants to plant more grain so as to radically solve China's grain problem.

**5. Increase barter trade.** This means making more chemical fertilizers available at parity prices if their sale is linked to grain sale to make up for the loss incurred by peasants who sell grain to the state at fixed-quota prices. We think this plan is flawed too. First, there is a nationwide shortage of chemical fertilizers, and if the increased amount is not sufficient to offset the peasants' loss, the scheme will not work. Second, even if both quantity and price are "at par," there will still be the huge subsidies to worry about. Third, this is but a simple barter of goods for goods. Taiwan has tried it and has not succeeded.

**6. Promote science and technology.** This means increasing the per unit grain yield to increase the total output by widespread promotion and utilization of science and technology. In the long-run, science and technology will definitely be the real strength behind China's grain production. In the short-run, although they are important factors in the development of grain production, constrained by unreasonable grain prices, they cannot play their intended role. Therefore, it is not an issue of whether it is important to promote science and technology but whether such promotion will make grain prices more reasonable and induce the peasants to demand science and technology.

The above differentiation and analysis of the six non-price approaches show that we simply cannot separate the unreasonable grain prices and the comparative disadvantages of growing grain. From one perspective, each of the above approaches has its merits, but ultimately all are defeated by the unreasonable grain prices. This demonstrates clearly that restructuring the price system is no doubt the starting point and one of the key factors if China hopes to get out of the production slump and solve her grain shortage problem. Of course, although we emphasize the importance of price reform, it does not imply that other problems relevant to grain production are trivial and even less that once price reform is accomplished, all other problems will be readily solved. Instead, we feel that we should do things in order of importance and urgency and tackle the major interim problems while solving other problems at the same time.

### III. Some Suggestions on How To Reform Grain Prices and Restructure the Purchase and Sale Systems

Grain is a unique commodity that concerns the national economy and the people's livelihood. But no matter how unique, it is still a commodity. Therefore, the restructuring of its pricing system and the purchase and marketing system must aim at commercialization.

**1. The principles of grain price reform and the restructuring of the purchase and sale system** One, we must insist on exchange of equal values. Only by smoothing out grain price relations and increasing the comparative benefit of producing grain can we mobilize the peasants to plant more grain. Two, grain purchase prices should

be based on a relatively reasonable price ratio between grain and fertilizer. We can use the 1979-1983 grain-to-fertilizer price ratio of 1:1.5 as reference. Three, after the purchase price of grain is fixed, we can set the purchase prices of cotton, oil, sugar, and live hog and other agricultural and livestock products based on relatively reasonable price ratios among them. After so many years, the staple agricultural and livestock products have established fairly stable price ratios among themselves: Wheat to indica rice = 1:1.4; japonica rice to maize = 1:1.5; soybean to maize = 1:2.5; peanut to wheat = 1:3; rapeseed to wheat = 1:2.1; cotton to indica rice = 1:12; sugarcane to indica rice = 1:4; beet to maize = 1:7; live hog to maize = 1:5.5. Four, according to the principle of "sharing the burden at all levels and dispersing the power to make decisions," we should adjust the interest structure and let society's interest groups (including the producers, consumers, managers, processors, and the state) share the price of price reform and the restructuring of the purchase and sale system. Even though this may cause some economic and social upheaval, such disturbance will be dispersed and will dissipate among the many interest groups and will be minimized. This is a choice we will have to make sooner or later. Five, we should encourage the commercial grain producing bases to plant and ship out more grain. When the three-year grain production contracts expire, we should set new, more reasonable grain allocation and transfer contract bases. Expenses incurred in transferring out more grain should be paid for by those who ship in, not those who ship out, grain.

**2. Possible ways to reform grain prices and restructure the purchase and sale system** Beginning in 1991, the state will adjust the existing grain purchase and sale plan and the contracted financial responsibility plan. Seizing this opportunity, we should consider and draw up a grain price reform plan and a plan to restructure the purchase and sale system, striving to smooth out the grain price relations and achieve radical reform of the grain purchase and sale system in five years (1991-1995.) We would like to make the following suggestions:

**1. Reduce parity-price sales:** While retaining its contracted grain responsibility plan with the local governments, the central government should permit the localities to reduce parity-price grain sales if local conditions so allow. In principle, we can reduce the parity-price sale of grains other than grain rations first and reduce the parity-price sale of rations later. Regarding the former category, we can consider the following items in the near-term: (1) grains used in foodstuff; (2) grains used in nonstaple food and for brewing; (3) institution-use grains; (4) nonagricultural feed grain; (5) grains planted by work teams (?); (6) various subsidy grains; (7) grain rations for fish-farmers and fruit-growers. Items that should not be cut back are: (1) Relief grain; (2) agricultural feed grain; (3) grain rations for cotton-growers, sugarcane- and beet-growers, and vegetable-growers. In the future, when opportunity ripens, except for relief grain which should continue to be sold at parity price, all sales should gradually be decontrolled.



As for the industrial-use grains, although they are already being sold at negotiated prices, because a substantial percentage goes to the breweries and wineries, demand is still brisk. In order to reduce grain consumption, besides decontrolling prices, we should impose heavy taxes and raise the product tax rate on the brewing and wine-making industries and especially on the production of very strong white wines.

The sale of grain ration at parity price need not be touched in the next year or two but should also be reduced later on when conditions allow. Estimates made by relevant departments indicate the actual amount of grain rations per nonagricultural population to be 15-20 percent less than what the state has determined. Each year, each person has 20 kilos of grain left over in their food coupons; nationwide, there are 6 billion kilos of surplus grain rations. If we add the extra grain coupons left over from previous years, the total comes to as much as 12.5 billion kilos. Other statistics also show that in 1983, food only took up 6.35 percent of the per capita urban population's living expenses. Thus, it is not only plausible but possible to reduce the urban population's fixed grain rations.

2. Reduce the amount of fixed-quota contract purchases. Because the price elasticity and income elasticity of demand for grain are smaller than the price elasticity and the income elasticity of supply of grain and production is unstable and the market is volatile, it is necessary for the state to purchase some grain directly. But such purchases must be kept reasonable. At present, the state's direct purchase takes away more than one-half of the commodity grains. This obviously is too much. The state's fixed-quota grain purchase should equal what its parity-price sales needs plus a certain amount of spoilage allowance. In this way, the state can reduce the parity-price grain supply by around 25 billion kilos a year and stabilize its fixed-quota grain purchase at below 50 billion kilos, and then we can truly eliminate the "negotiated-turned parity-price" portion and the local grain reserve for emergency use. By 1991 when the state implements the new grain contract responsibility program, perhaps as we consider across-the-board reduction of the urban population's grain ration, we should implement a graded grain supply responsibility system; that is, the central government will be responsible for the grain rations of the Beijing, Tianjin, and Shanghai residents and for military grain rations; local governments will have to take care of the urban population in other areas. In this way, the state's fixed-quota grain purchases can be further reduced, perhaps from the present 50 billion kilos to around 30 billion kilos.

3. Decontrol government purchase and sale prices: If we can reduce the amount of parity-price sales and fixed-quota contract purchases as scheduled and planned, we will be ready to decontrol the grain purchase and sale prices. The state and local governments' purchases should be guided by the market, and goods should be priced according to quality. The purchase price can be based on previous year's market price or the "base

year's" market price—the average price of past periods. If the current year's market price exceeds the government's purchase price by five percent or more, the government will raise its price by 50 percent of the amount over its original price. If the market price falls below the government's price, the government will stand by its original offer.

When we decontrol the purchase price of grain, we should also decontrol its sale price. In the future, besides reducing the urban population's grain ration, the state should also fix the quantity but not the price of the rations. It should pay the consumers a one-time subsidy for the higher cost rendered by the decontrolled grain prices, but this should be an open subsidy rather than a hidden subsidy. The state will pay for the subsidies of government and institutional staff and workers, but enterprises will be responsible for their own workers; their expenses can be charged to cost. Low- or nominal-profit and money-losing enterprises will be granted tax exemption or reduction.

4. Import a reasonable amount of grain.
5. Resume and even gradually increase government subsidy of agriculture-based industries.
6. Collect a grain surcharge or special grain fund from all industrial and commercial enterprises.
7. Continue to promote in township enterprises the idea of relying on industry to supplement agricultural and industry to build up agriculture.
8. Levy a grain technology improvement fee in the operational link based on a fixed percentage of the sales revenue and use the money on promoting grain producing technologies.
9. Government at all levels should set up a grain standard [?] fund.
10. Set up a central as well as a regional wholesale grain market.

### Salt Industry Regulations Issued

HK2503010690 Beijing RENMIN RIBAO  
in Chinese 9 Mar 90 p 2

[XINHUA report: "Regulation on the Management of the Salt Industry"]

### [Text] Chapter 1—General Principles

Article 1: In order to strengthen the protection and exploitation of salt resources, improve the management, production and development of the salt industry, ensure the normal transportation and sale of salt in such a way that the needs of socialist construction and people's livelihood can be met, this law is formulated.

Article 2: Should a person engage in the exploitation of salt resources, and in the production, transportation, and sale of salt, he must comply with this law.

Article 3: Salt resources belong to and are under the protection of the state, which exploits and uses them according to plans. The state encourages salt production and exercises planned management of salt production, sales, and purchases. Specific management methods are to be carried out in accordance with the state's relevant regulations.

Article 4: The Ministry of Light Industry is the State Council's administrative and supervisory ministry for the salt industry, and supervises work of the salt industry throughout the country. The salt-industry administrative and supervisory departments of the people's governments at and below the provincial level are designated by the people's government of the province, the autonomous region, or the municipality, and they supervise the salt industry within their administrative regions.

Article 5: The state encourages scientific study of the salt industry and promotion of its advanced technology. Anyone or any unit that has made remarkable achievements in the scientific study of the salt industry and in its use should be commended and awarded.

#### Chapter 2—Resources Exploitation

Article 6: Should a person exploit salt resources (including salt obtained from sea water, rocks, lakes, or natural bittern), he must comply with the state laws and regulations governing the exploitation of mineral resources, land management, environmental protection, and fixed asset investments, and with other relevant laws and regulations.

Article 7: The state organizes and plans for the exploitation of salt resources, reasonably distributes them, and exploits them according to plans. The state encourages exploitation of salt resources and the development of the salt industry. It encourages chemical and other relevant enterprises which are owned by the whole people, and enterprises under collective ownership, to collect capital on their own to set up salt factories or to operate in cooperation with existing salt-producing enterprises, with assistance from local people's governments.

Article 8: Should a person intend to exploit salt resources or set up a salt-producing enterprise (which may be an enterprise that does not produce salt, but exploits salt resources), he must be examined by the salt-industry administrative and supervisory department at the provincial level and then approved by the people's government of the province, autonomous region, or municipality. Moreover, he must apply to local industrial and business administrative and managerial organs for a business license in conformity with regulations.

Should a person intend to exploit mineral salts, he must obtain a mining license in accordance with relevant regulations of "The Mineral Resources Law of the PRC." The mineral salts exploitable must be jointly determined by the Ministry of Geology and Mineral Resources and the Ministry of Light Industry.

The fixed assets investments of a salt-producing enterprise should be made in accordance with the state's relevant regulations on fixed assets investments. No private enterprise or individual is allowed to exploit salt resources.

Article 9: Should there be any dispute between salt enterprises and another unit or individual over the right to use the resources, or over the title to and use of the land, parties to the dispute should settle it between themselves through negotiations. When negotiations fail to settle the dispute, they should have it handled by the relevant people's government in accordance with the stipulations of "The Mineral Resources Law of the PRC," and "The Land Management Law of the PRC."

#### Chapter 3—Protection of Salt Fields (Factories and Mines)

Article 10: In order to ensure the state's exploitation and use of salt resources, and maintain normal production of salt-producing enterprises, it is necessary to delimit reasonable reserves for sea-salt fields and lake-salt fields (factories).

A definite area from the embankment bordering the sea and a definite area between the two sides of the tide-trapping freshwater-drainage ditch are designated as the reserve for a sea-salt field. For the delimitation of a specific sea-salt field, the administrative and supervisory department of the province or region where the sea-salt field is located will introduce and submit a proposal to the provincial or regional people's government for approval.

A definite area of the borders of a salt lake is designated as the reserve of a salt-lake field (factory). For the delimitation of a specific reserve, the salt-industry administrative and supervisory department in the province or region where the salt lake is located, and the provincial and regional administrative and supervisory departments for geology and minerals will introduce and submit a proposal to the provincial or regional people's government for approval.

Article 11: No unit or individual is allowed to build a small crab pond or small salt field in the sea-salt reserve or to carry out illegal activities there to the detriment of the sea-salt field. For the disposal of small crab ponds and small salt fields that existed before the promulgation of this law, local salt-industry and agricultural administrative and supervisory departments are to make decisions through negotiations. When negotiations fail, the matter will be handled by the people's government at the provincial level. No unit or individual is allowed to destroy the shelter forest, vegetation, or other protective facilities in the reserve of the salt-lake field (factory). Any dispute relating to the reserve arising prior to the promulgation of this law is to be settled by the relevant parties through negotiations. Should negotiations fail, the dispute will be handled by the people's government at the provincial level.

Article 12: The following property and facilities that belong to salt-producing enterprises are under the protection of state laws. No unit or individual is allowed to destroy, occupy, steal, or rob any of them:

- (1) the land, shores, and salt mineral resources used legally by salt-producing enterprises;
- (2) the embankment or tide-trapping freshwater-drainage ditch in the sea-salt field;
- (3) the production implements, facilities, and products of salt-producing enterprises;
- (4) the salt mineral rocks (including syngenetic and consequent rocks) and bittern that have been exploited by salt-producing enterprises; the sea water, various classes of bittern included in the salt field; and the living beings in the salt field such as bittern insects, fish, crabs, and micro-plants.

Article 13: The public security organs in the place where a salt-producing enterprise is located should strengthen the security and protection of the salt area so as to ensure its normal production order.

Any specific problems regarding the security management of the salt area are to be solved jointly by the salt-industry administrative and supervisory department at and above the county level and the public security organ at the corresponding level through negotiations.

#### Chapter 4—Production Management

Article 14: Salt-producing enterprises must arrange for production, strengthen enterprise management, upgrade technical levels, minimize consumption, and increase returns in accordance with state plans.

Article 15: Salt-producing enterprise must strengthen quality assurance and testing in strict compliance with relevant state regulations. Products that do not meet quality and hygienic standards are not allowed to leave the enterprise.

Article 16: No nutrition enhancer or medicine can be added to edible salt until after the approval of the public health administrative and supervisory department at the provincial level and the salt-industry administrative and supervisory department at the corresponding level.

Article 17: No saline soil, nitric soil, industrial scum, or industrial waste liquids are allowed for salt processing, with the exception of the processing of salt through the comprehensive use of materials by alkaline factories which use salt as a raw material.

Article 18: The state encourages salt-producing enterprises to make comprehensive use of salt resources, to develop saline chemical industries and a variety of production projects such as sea products breeding.

#### Chapter 5—The Management of Transportation and Sale

Article 19: Edible salt, salt reserved by the state, and pure salt and salt used for burning alkali produced under state's mandatory plans, are under centralized distribution, transfer, and allocation.

As for other salts, salt-producing enterprises can sell them on their initiative under the guidance of the salt-industry administrative and supervisory department only after they have completed the state's plans on distribution, transfer, and allocation, or after they have ensured reasonable storage in compliance with regulations. Distribution, transfer, and allocation of salt is managed by the Ministry of Light Industry in accordance with state plans.

Article 20: Wholesaling of edible salt is unifiedly operated by salt companies at all levels. In localities where there are no salt companies, people's governments at or above the county level can authorize units for unified management.

Article 21: Retail of edible salt is operated by business enterprises, food enterprises, and cooperative retail units designated by the business administrative and supervisory department. Should an enterprise need to have its salt sold by an individual business or industrial unit or by a purchasing and marketing agency, it must have the approval of the county-level business administrative and supervisory department. Retail units at all levels must make edible salt an indispensable commodity, must maintain its reasonable storage, and must not be short in salt supply.

Article 22: The sale of the following salt products are forbidden on the edible salt market:

- (1) Crude salt and processed salt that are not up to the hygienic standards of edible salt;
- (2) Indigenous salt and nitric salt;
- (3) Salt made from industrial scum or industrial waste liquids.

The salt which is processed through the comprehensive use of materials by a few alkaline factories using salt as a raw material, which is approved by the Ministry of Chemical Industry, and which is up to the state's hygienic standards for edible, can be marketed as edible salt. However, the factories concerned must be included in the production and sales plans of the salt-industry administrative and supervisory department, and must turn over salt taxes in compliance with laws.

Article 23: Edible salt to which no iodine has been added must not be marketed in those areas where people are deficient in iodine and where iodine must be added to the salt supplies.

Article 24: Transport departments must make salt one of the important goods to be transported, and must take



special care to ensure the transportation of edible salt, pure salt, and salt used for burning alkali that are under mandatory plans.

Article 25: Sea-salt producing areas should institute a storage system in which deficiency is supplemented by abundance according to the state's stipulations. Areas where salt is marketed should institute a state storage system for edible salt according to state stipulations.

#### Chapter 6—Legal Responsibility

Article 26: Should a person exploit salt resources or set up a salt-producing enterprise without approval and in contravention of Article Eight of this law, he will be handled by local people's government or relevant local administrative and supervisory department in accordance with laws.

Article 27: If a person illegally occupies and uses the land or shores of a salt-producing enterprise, mines in the mining area of an enterprise designated by the state, he will be handled in accordance with relevant state laws and regulations on land management and on mineral resources management.

Article 28: Should a person contravene Article Eleven, and (2), (3), and (4) of Article Twelve of this law, the salt-industry administrative and supervisory department reserves the right to stop him, order him to compensate for losses, and confiscate whatever he has gained illegally. Moreover, it may levy a penalty on him not exceeding five times the amount illegally gained. Where the case is so serious as to constitute a crime, judicial organs may hold him accountable for it.

Article 29: Should a person contravene Article Fifteen, Article Sixteen, Article Seventeen, Article Twenty-Two, and Article Twenty-Five of this law, salt-industry administrative and supervisory departments, business and industrial administrative and management organs, and food-hygiene control organs, reserve the right, according to their different duties, to stop him, order him to stop sales, confiscate whatever he has gained illegally, and levy a penalty on him not exceeding five times the amount he has gained illegally. Where the case is serious, industrial and business administrative and management organs reserve the right to invalidate his business license. Where serious food poisoning is caused, with the result that a crime is constituted, the person directly responsible for it will be held accountable.

Article 30: Should a person be dissatisfied with the penal decision of the salt-industry administrative and supervisory department, he may apply to the superior salt-industry administrative and supervisory department for re-examination within 15 days after the penal decision is made. The superior administrative and supervisory department should make a re-examination within two months upon receipt of the application for re-examination. Should the applicant be dissatisfied with the decision on the re-examination, he may bring an action to the people's court within 15 days of receipt of

the decision on the re-examination. If he does not do so, or does not do as the penal decision stipulates, the organs that have made such a decision may apply to the people's court for carrying out the decision forcibly.

#### Chapter 7—Supplementary Articles

Article 31: Interpretation of this law rests with the Ministry of Light Industry.

Article 32: The people's government of a province, autonomous region, and municipality may work out methods for implementation in accordance with this law.

Article 33: This law becomes effective from the date of promulgation.

#### Rural Savings Deposits Increase Nationwide

HK0504110090 Beijing CEI Database in English  
0909 GMT 3 Apr 90

[Text] Beijing (CEI)—The national rural savings deposits increased 22.53 billion yuan during the first two months this year, 12.54 billion yuan more than the same period last year, according to statistics from the Agriculture Bank of China.

So far, the rural savings deposits nationwide has reached 248.06 billion yuan, a record high.

Analysis shows that reasons for the increase are: the farmers increased income due to good harvests, higher purchase prices for farm and side-line products such as grain, cotton and oil, wages and bonuses issued by township enterprises and deposits from the self-employed owing to the sluggish market.

#### Agricultural Bank Increases Loans

OW0604115190 Beijing XINHUA in English  
1115 GMT 6 Apr 90

[Text] Beijing, April 6 (XINHUA)—The Agricultural Bank of China and local credit co-operatives have provided 16.156 billion yuan in loans to ensure this year's spring plowing, 4.29 billion yuan more than in the same period last year.

The bank's branches in the Ningxia Hui Autonomous Region alone provided 120 million yuan at the end of last year to help farms buy chemical fertilizers, pesticides and plastic sheeting.

#### Agronomists Breed 54 Varieties of Wheat

OW0504013790 Beijing XINHUA in English  
1501 GMT 4 Apr 90

[Text] Zhengzhou, April 4 (XINHUA)—Chinese agronomists have bred 54 varieties of wheat over the past four years, according to reports at a national meeting on wheat breeding here.

These varieties have been grown on 40 million hectares which have turned out an additional nine billion kilograms of wheat worth 4.5 billion yuan (about 957 million U.S. dollars).

To boost wheat output, the state has listed wheat-breeding as one of the state's key scientific projects and organized more than 900 agronomists to undertake the project.

#### **National Cotton Area**

40060043A Beijing JINGJI CANKAO  
in Chinese 26 Mar 90 p 1

[Summary] In 1990 the planned cotton area is 83.5 million mu. According to statistics from nine major cotton-producing areas, 63,470,000 mu has been sown, a 10 percent increase over 1989.

#### **Flue-Cured Tobacco Area Declines**

40060042F Beijing JINGJI CANKAO  
in Chinese 27 Mar 90 p 1

[Summary] According to a survey of 73,000 rural households in 724 counties in 22 tobacco-producing provinces and regions, the area sown to flue-cured tobacco in 1990 will be about 20,960,000 mu, a decline of over 1,600,000 mu from 1989. Gross output is expected to exceed 140,000 tons.

#### **Guangdong Sugar Output Reaches 1.5 Million Tons**

HK0404060190 Guangzhou Guangdong Provincial  
Service in Mandarin 0400 GMT 2 Apr 90

[Text] So far, a total of 15 million tons [as received] of sugarcane have been pressed and made into sugar in Guangdong during the current sugarcane-pressing season.

Guangdong's sugar production output in the current sugarcane-pressing season has reached 1.5 million tons, representing an increase of 0.22 million tons of sugar over the previous sugarcane-pressing season.

The current sugarcane-pressing season is not yet over. There are still some 0.5 million tons of sugarcane waiting to be pressed in Guangdong. Thus Guangdong will undoubtedly witness a substantial increase in sugar production output this year.

According to the estimates of the department concerned in Guangdong, by the end of the current sugarcane-pressing season, Guangdong's sugar production output will have reached 1.55 million tons, a 20-percent increase over the previous sugarcane-pressing season.

#### **Jilin Beet Area**

40060043B Changchun JILIN RIBAO  
in Chinese 19 Feb 90 p 1

[Summary] In 1990 Jilin plans to sow 1.1 million mu to beets, and produce 1.2 million tons; beet procurement prices have increased 14.3 percent over 1989.

### **Ideology Seen as Foundation of Socialist Culture**

90ON0422A Beijing RENMIN RIBAO OVERSEAS  
EDITION in Chinese 2 Mar 90 p 2

[Article by Lu Guangguang (0712 0342 0342): "Some Unpretentious Ideas and Suggestions About the Development of a New Socialist Culture"]

[Text] There are no ready-made models in the world that can serve as examples for socialist construction. In the economic field, China has gone its own way in developing socialism with Chinese characteristics by its reform and opening up to the outside world. But in the cultural field, how are we to go about charting our own way through reform and opening up to develop a new socialist culture with Chinese characteristics? This is a problem that has the concern of the whole nation and the attention of the whole world. It is a huge item of system engineering, which touches upon all such fields as politics, economics, human relations, morality, religion, and art. A satisfactory solution of this problem will add a new chapter to the annals of the world's cultural history and will constitute a brilliant contribution by China to human society.

### **National Cultural Tradition Under a Wide-Angle Lens**

Development of human society is, of course, reflected in its cultural development. In every historical era, every nation has created its own culture, and the culture of every historical period is built on the cultural foundation of preceding eras. In the creative progression, the continuous precipitates in that long river of history have formed the social culture of humanity. Although there have been cultures that by nature arose and faded away, that existed temporarily and disappeared, some cultures of superior quality have endured through the ages, so that in an overall view there does not exist anything like a "break in the cultural strata." The pre-Confucian culture of China reflected a slave-owning system of society, of which the *Book of Songs*, the *Book of History*, the *Book of Changes*, and other records are clear evidence. To say, therefore, that the Confucian dogmas only reflect the culture of the feudal society would, in fact, dissect history and deny that Confucius by distinguishing the harmful and the beneficial, by remolding and recreating preserved the great achievements of China's ancient culture. The culture of every historical era reflects the cognitive ability and transformative ability of humanity with regard to nature and society, and the mutual relations between these two factors, at any given time. This cognitive ability and transformative ability shows the common creativeness of humanity, and does not indicate either independent creations by one group of people in one particular era or independent creations of one class as the rulers in one period of time. To say, therefore, that the Confucian dogmas preserve the great achievements of the culture of the early years of China's feudal society and represent the culture of the feudal society during its period of ascendancy, agrees with historical truth and respect for history. As for the

doctrines of the post-Confucian Confucianists, which became the ruling ideology of the ruling class, they superimposed a superstitious veneer over the Confucian doctrines ascribing events to "mutual responses between Heaven and man," a regressive way of thinking that increased rapidly and that in the end covered up certain most brilliant achievements of the nation's culture.

A new culture is a summation derived from a certain period of time; that is the main substance of national culture. To enlarge this substance to huge dimensions, we must regard culture not only as the sedimentary accumulation of humanity's life during a certain period, but must regard it also as crystalization of human creativity, as the aggregate of all material, spiritual, and institutional elements. This would have it comprise the cream of the literary tradition in the high-level literature and the propagation of culture by those in high offices, as well as the popular culture of those outside government circles, the observance of their poetic sentiments, wide acceptance of informal material, seeking out the wondrous and mysterious in our ancient culture, critically taking over traditional material, and with regard to foreign cultures, incorporating whatever they have to offer, emulating their strong points. We must accept the excellent culture of poetical sentiment of one generation, we must under no circumstances stick to conventions or continue in slavery to ancient traditions, remain poorly read and uninformed, and ignorantly boastful, but must rather renew ourselves again and again, and strive for self-perfection.

Due to the lapse of time and the transformation and development of objective things, culture cannot remain unchanged, and traditions cannot remain unchanged. Culture and tradition are subject to the restraints of their own laws. In the ongoing growth and development of culture, not everything that is new is good, absolutely good, or good in everything. Culture that is on its way to extinction is not necessarily bad, absolutely bad, and bad in everything. Speaking of the principle of "destroying the old and establishing the new" in the realm of culture, it is absolutely wrong to subjectively regard anything different from the normal as old and obsolete, and anything that is old as something to be destroyed, thus adopting a nihilist attitude, but we must, in a philosophical sense, merely decide what has to be developed as healthy and what has to be discarded as unhealthy. Precisely for this reason the excellent cultural tradition of the nation must be continued without stop, most vigorously and with the display of great vitality.

### **Reform the Old and Consolidate the New, Make Old Things Serve the Present**

Humanity must progress, society must develop, revolution and construction must be promoted, the policies of reform and opening up to the outside world must be implemented, the existence of these facts determines the emergence of new concepts. By establishing a mode of thinking that conforms to the demands of socialist spiritual civilization, we must foster a leading ideology



that suits the needs to develop socialist productive forces. These new concepts can only be born from the process of changes and developments in the objective things, and cannot be blurted out by willfully following one's subjective whim, and they can even less be some "contrary, rebellious mentality" that negates the cultural tradition. The contradiction that exists between history and present reality, between old customs and the demands of the new era cannot be blamed merely on the restraints of cultural tradition and cannot be resolved by relying merely on new concepts.

The purpose of the so-called renewal of concepts is the quest for the new, the striving for renewal by developing a socialism with Chinese characteristics. It means exploring new laws from within the new circumstances and working with new methods on new problems, having new forces germinate from new ideas, and making new contributions in our new mission. Since the renewal of concepts has a bearing on the relation between consciousness and existence, the deepening of reform, opening up to the outside world, and the development of the objective circumstances are bound to lead to a transformation of the way of thinking and to improvement in the quality of thought, renewal in the realm of thought, and renewal of concepts. Only by enriching the excellent traditional culture of the past with superior elements of modern culture can a new socialist culture be born.

#### **Select What is Good, Cling to It, Make Foreign Things Serve China**

Because of the development of productive forces, the promotion of science and technology, and the almost daily changes in production management, modern foreign culture has been able to develop to new heights. After eliminating the dross, the essence of foreign culture must be regarded as the common wealth of contemporary mankind, and everyone may make full use of it, just as the West may make full use of the essence of Eastern culture. Nations with predictably good future and countries with positive accomplishments will certainly not adopt a policy of "closing the country to the outside world," and will not stand still and refuse to make progress, but will rather free themselves of ignorance and backwardness and make an all-out effort to strengthen the country. Utilizing Leninism, which came to us from the West, and, furthermore, integrating it with the concrete practice of China has initiated China's grand enterprise of revolutionary construction. In the process of utilizing elements of foreign culture, it is necessary to be discriminating and selective at all times. One must not mistake backward things for advanced things, nor the carbuncle in the neck for something valuable. In actual fact, all countries are now vying with each other to adopt for their own use the superior elements of foreign culture. Chinese patriots of earlier days had propounded the precept of "emulate the strong points of the barbarians to control the barbarians." That means: The more newness there is in world culture, the more chance to build up national culture, and the more resplendent the

national culture, the more possibility that it can enrich world culture. This is the natural result of dialectics.

#### **Unpretentious Suggestions for a New Socialist Culture**

A certain culture is the reflection of the political and economic conditions of a certain society, and culture is also an important influence on and element in the political and economic conditions of the country in question. The new socialist culture is first of all part of the socialist system, which is an eminent prerequisite, and it reflects in its ideology the political and economic conditions of socialism, and therefore, it serves socialism, and being under the socialist system, regardless of whether in its political strength, economic strength, or cultural strength, in all these aspects is to be part of the developmental strength of socialism. Studies of the traditional culture of China, including the study of the doctrines of Confucius or Mencius, and the study of superior elements of world culture, must, therefore, be undertaken for the purpose of developing the new socialist culture.

Frankly, some obsolete and decadent ideologies are still like a heavy load pressing on the shoulders of the Chinese nation, preventing for the time being the broad masses of the people to unfold for themselves the glory of a new era in the field of culture, and to achieve an altogether new appearance. If things are mishandled, for instance, by following the principles of the feudal system where "everything was done for the purpose of gaining more power," or according to the principle of the capitalist system where "everything is done for money," the will of the people will continue to be smothered, popular feelings will be dissipated, and it would be a waste of time to talk then of building a new socialist culture. It is only by the proper use of the power and financial resources of socialism, by rousing oneself from out of decadence and lifting oneself out of decline, by investigating diehard behavior and having the lazy mend their ways, and by rectifying the social atmosphere, that we can help the new social culture break through the soil like a new plant.

The precursor to cultural development is ideological development. I believe that it is necessary for ideological development to gain a clear understanding of the connotation of new socialist culture, which must comprise development of patriotism as well as internationalist ideology. It must carry forward the excellent national traditions and also carry forward all superior traditions of the world. It must promote spiritual civilization as well as material civilization. It must create high-brow art and literature but must also produce popular literature and art. It must be harmonious but not monotonous. It must be rich in content, display a clear mentality and distinct character, and must be in advance of everything in the world.

Practice is the only criterion for testing truth. How can we develop the new socialist culture through social

practice? First, we must liberate the mind, clearly visualize the direction, and oppose sticking to old ways. Second, we must raise our spiritual domain, work for improvement of the quality of the population, and oppose decadence and backwardness. Third, we must attach importance to the social being, abide by the laws of science, and oppose muddle-headed carelessness and superstitions. Fourth, we must emphasize social benefits, strengthen national self-esteem and self-confidence, and oppose eagerness for quick successes and instant benefits, and also oppose the commercialization of culture. We must "weed through the old to bring forth the new" and "open new paths and create new things," have the new culture achieve concrete form and achieve its normalization, have the new culture achieve more continuity and be spread more extensively.

### **Xiaoshan Assessed as Small-City Development Model**

90ON0416A Shanghai SHEHUI [SOCIETY] in Chinese  
No 1, 20 Jan 90 pp 36-39

["Investigative report" by Yan Zhifang (0917 1807 2455)]

[Text] From 1984 to 1987, the author held the post of director, Xiaoshan Urban Construction Environmental Protection Office; and director, Xiaoshan Cities and Towns Planning Construction Office. I personally experienced small town development and construction as work required me to do some investigations in Xiaoshan's rural and urban areas.

Since the founding of the state, China's cities and towns have developed greatly. Particularly since the Third Plenary Session of the 11th CPC Central Committee, in line with deepened reform of the rural economic system and continuous expansion of commodity production, cities and towns, especially small ones, have swiftly recovered and developed, and are functioning to a certain extent as political, economic, cultural, science and technology, and commodity distribution centers. How to enhance management and guidance over these swiftly developing towns has become a matter of great strategic significance to promote further developments in China's productivity and economic prosperity.

Taking Xiaoshan as an example, this report will explore small town development, analyzing the position and role of small towns as well as their newly arisen circumstances, problems, and countermeasures.

#### **A. Status Quo Analysis of Xiaoshan's Development**

Xiaoshan is an area of small size, high population density, and relatively high economic development. A former neighboring county of Hangzhou in Zhejiang province, in 1987 it withdrew from county administration and became a city. It is situated on the southern shore of the Qiantang River, with the Ningbo and Shaoxing plains at either end. There are convenient

transportation lines within the city. The "Zhejiang-Jiangxi" and "Xiaoshan-Yongjiang" rail lines and the "Hangzhou-Wenzhou" and "Hangzhou-Jinhua" main highways all traverse the area. Roads now connect every village and town in the city. Water transport within and without the area is developed. At the end of 1988, the city's gross industrial and agricultural output value was 5.55 billion yuan, gross social output was 8.139 billion yuan, and per capita national income was 2,206 yuan, making Xiaoshan one of China's 10 richest counties. In the amount of tax turned over to the state, it also ranked third as a county (city).

Xiaoshan's outstanding characteristic is its location at an assembly of developed water transportation systems. At present Xiaoshan has an organizational system of 24 towns and 19 market towns, which account for 64 percent of the number of the city's village towns. On average, every square kilometer has an organized town or market town. The majority of these market towns are along rail, highway, or water transport lines, at an average of about five kilometers apart; the closest is only two kilometers away. Xiaoshan City proper is merely 14.5 kilometers from the central city of Hangzhou.

Xiaoshan's towns have actual industrial and commercial strength. They can attract a large quantity of employable population. The 24 towns in the organizational system (including nearby villages) have gathered 15 provincial-level enterprises and 89 city-level secondary and light industry enterprises owned by the whole people (accounting for 100 percent and 89 percent, respectively, of the total number of city-provincial level enterprises and city-level enterprises owned by the whole people and collective enterprises). The economic structure of another 1,251 rural enterprises (accounting for 40.2 percent of the city's rural enterprises) has seen a fundamental change, namely, from the former unitary, closed, commercial, and handicraft type, to an open type led by industry. Xiaoshan's towns have also become distribution points for agricultural trade commodities. There are a total of 55 such points, covering a total area of 75,323 square meters, with an average of 11,000 stalls that transact an average 350,000 yuan daily in business. They constitute quite an attractive specialized market for poultry and nursery stock, piglets, and industry. A large group of industrial and commercial individual households, specialized growing households, and industry specialized households are lively in the market.

In addition, practically all of the city's most important middle schools, medical and health clinics, and movie theaters are located here, making for a lively and prosperous image.

The state of development of Xiaoshan's current 43 small towns and village market towns is generally divisible into two layers of four types:

The first layer is of the 24 towns in the organizational system. This layer is divisible into three types. The first consists of the three old towns of Chengxiang, Guali, and

Linpu, established after 1949. Although all have been through the process of recovery, stagnation, and vigorous development and prosperity, because they occupy important county or regional political, economic, cultural, and geographic sites, they developed quickly and consistently have been considered key sites for city and town construction. Taking the city proper for example, from 1979 to 1985, some 30.7701 million yuan in investment was spent purely on municipal administration, or almost eight times the amount of that town's investment total from 1949 to 1978. New construction includes 314 building of over four stories, with an area of 512,900 square meters. This figure includes two 21-story buildings, a hotel, and a mansion, at the top of all of China's provincial-level urban guesthouses. The second type includes the five historical towns of Wenyan, Yiqiao, Changhe, Xixing, and Kanshan. They were approved by the provincial government to be organized as towns in 1954. From 1964 to 1969 they successively came under the town organizational system. As town-level organs they were brought into the commune system, a stage under which they stagnated and developed slowly. They did not recover as organizational towns until 1984. The third type is the 16 towns including Toupeng, Yisheng, Jingjiang, Yaqian, Xinjie, Changshan, Puyan, and Daicun. In 1984 and 1985 they were approved to be brought under the organizational system. These towns originally had good bases. Adding to that quick rural industrial development and expanded commodity flows, they rapidly came up to scale.

The second layer is composed of the seats of rural government, agriculture, forestry, or industry, namely, 19 newly developing towns scattered over a broad area, such as Yingfeng, Ningguo, Hongshan, and Chengbei. They center on supply and marketing cooperatives, forming a centralized commercial procurement and supply trade network. The population is clearly concentrating there. As public facilities are gradually being built and perfected, they are slowly turning into cities and towns.

In sum, there is an indivisible relationship between Xiaoshan's developing towns and the factors of its geographical position, original industrial and commercial base, state investment, and political environment.

#### **B. Xiaoshan's Towns Play Unique Role in Rural-Urban Construction**

In recent years, the strategic position and role of China's vigorous small town development is increasingly being shown.

1. Small towns in large rural areas offer a rather strong economic pull. They act as links and bridges connecting rural and urban economies. They have become an important sign of the level of rural productivity.

The essence of the rural-urban relationship lies in commodity exchange. Due to the development of village and town industry, production of various commodities has swiftly grown. There have been changes not only in the

rural-urban economic structure, but moreover in the nature, scale, and channels of commodity circulation. These economic exchange activities rely on agricultural small towns that no longer are merely agricultural sideline procurement and transfer centers for the cities, but are the most fundamental links and essential pass points for urban industries. They are relied on as storage and processing bases for the rural commodity service system. They also intimately integrate rural planting, breeding, and processing industries, playing the roles of rural product procurement and collection centers, rural production material organizing and supply centers, industrial consumer goods sales centers, and rural-urban bazaar gathering centers. According to 1984 statistics for Xiaoshan, countywide gross agricultural sideline trade through rural distribution centers was 460 million yuan, and rural bazaars transacted 110 million yuan in business, increases of 190 percent and 170 percent, respectively, over 1978. These economic exchanges also promote and enhance Xiaoshan's small town construction and development.

2. Small towns emit quite a strong economic radiating force. They are the switches that turn on broader rural economic development.

Objectively speaking, one has to pass through the city and town layer for urban industrial goods to flow down to the countryside and for rural agricultural sidelines to enter the cities. Transmission among the peasants of capital and of economic, cultural, scientific, technological, and other product-related information must rely on the help of small cities and towns. From the standpoint of general economic laws, due to unequal social and economic development, there are higher and lower rungs on the ladder. Small cities and towns are precisely located on the middle rungs between cities and villages. Such an objective economic difference will cause small cities and towns to radiate toward stronger economic villages. The "CPC Central Committee Resolution on Reform of the Economic System" pointed out that "cities are China's economic, political, science and technology, cultural, and educational centers. They are gathering places for modern industries and workers." A city influences a surrounding area's economic development in stages from near to far. The nearer one is to the city, the greater the city's role. Generally speaking, the more developed the rural economy centered on villages and towns, the higher the economic returns and per capita income. The reverse is also true. Taking gross indices calculated for Xiaoshan, for example, we can clearly indicate on a map three circles ranging from near to far, three rungs from high to low. Its development has a great influence on surrounding villages.

3. Small cities and towns are important windows from which peasants obtain market information, develop commodity production, and enrich their households.

Under fierce competition conditions, it is extremely important to have a timely understanding and grasp of information on product demand trends, quantities,



product replacement, and development futures. Small towns likewise provide opportunities and sites for nearby direct participation in commodity exchange of myriad commodity producers and managers. An analysis of Xiaoshan's statistics show that almost 200,000 people, the majority of them peasants, from small towns throughout the city come to market each day. This is an extremely easy way to provide them with correct management policies and promote commodity production.

4. Small cities and towns are relatively attractive to the population. They are the sites for employing excess rural labor.

In line with improved rural production and readjustment of the product mix, the rather great numbers of the agricultural labor force move in from the land and engage in various nonagricultural occupations. They move into cities and towns, seeking employment in light industry, construction, commercial management, and various service activities. Statistics from the end of 1984 show that among the entire county's labor force of 590,000 people some 175,000 already engage in village and town enterprise labor. Another 82,000 participate in nonagricultural labor. The second statistic accounts for 43.6 percent of Xiaoshan's entire rural labor force, the majority of whom are gathered in small towns. Following promotion of modern agriculture, there will be more rural labor moving away from agriculture and other industries. I feel that the most basic, most realistic way out for them is still in the small city and town and small village enterprises, and in secondary industry development. They can ease the population pressure on large and medium-sized cities, effectively avoiding the social problems that arise with inflated populations. Development of small towns provides a base and conditions for urbanization of rural areas in a manner that has Chinese characteristics.

5. Small cities and towns are important fronts for rural cultural, entertainment, educational, scientific, technological, and health activities. They are beneficial to a rich and lively peasant spiritual life and play an enormous role in helping raise peasant science and technology levels.

According to statistics from the 24 towns in the system, there are 25 cultural palaces (stations); one television station; 24 broadcasting sites (stations); 24 movie theaters; 24 movie and play houses; 24 clubs; 232 normal, middle, and primary schools; and 28 hospitals and health clinics. These small town public facilities are continuously reaping social returns. They play an extremely prominent role in rural areas' dual education work of adding to the masses' general cultural knowledge and in enriching the peasants' scientific and technological spirit.

### C. New Conditions and Problems in Xiaoshan's Small City and Town Construction

Swiftly developing small towns are making Xiaoshan experience a number of profound historical changes. People have become interested in the appearance of many new conditions.

1. Economic development makes production management styles become gradually more open to the outside world.

Foreign trade work has taken off rather quickly. Since 1978, when foreign trade organs were set up, one strong cooperative trade relation after another has been displayed with Japan, Hong Kong, the United States, Thailand, West Germany, and many other countries and regions to introduce projects, import equipment, and engage in compensation trade and joint ventures. Some \$194.3 million in foreign exchange was earned from exports in 1988. As for opening to the domestic market, city and town rural enterprises have broken through the former closed economic system. Based on market needs, local resource strengths have been summarized. There is an entirely joyous new momentum of crosswise economic unity that cuts broadly across regional, departmental, and trade lines.

2. Village and town enterprises develop swiftly, promoting big changes in the rural economic mix.

At the end of 1988, Xiaoshan had 740 village and town enterprises, of which 339 were industrial, one agricultural, 53 transport and communications, 110 construction, 184 commercial service, and 53 other. The rapid takeoff of tertiary industries dispersed a large group of the labor force from agriculture, bringing them into small towns to open shops, run businesses, and engage in transport and services. Small town enterprises have become an important mainstay of Xiaoshan's economy. The gross output value of the entire city, including small towns, now accounts for 50.86 percent of the entire gross social output value. Moreover, the gross output value of forestry, animal husbandry, sideline, and fishery in the gross agricultural output value rose from 20.8 percent in 1982 to 32.3 percent in 1988.

3. Small town development makes technology and personnel resources broadly develop.

As village and town enterprises enter into the terrific market competition and gradually develop toward the externally oriented economy, increasingly more attention is paid to developing, importing, and using technology and human talent. As they improve technology exchanges and personnel training, they are paying attention to importing advanced foreign equipment and technology, engaging in foreign economic and technological cooperation, while also enhancing economic and technological cooperative affiliations with domestic science and technology units, large specialized institutes and schools, and state-run medium-sized and large enterprises. From 1984 to the end of 1988 alone, Xiaoshan

imported six advanced foreign assembly lines and introduced 448 various technical personnel.

The aforementioned situation on the one hand signals that Xiaoshan's small cities and towns are being built and their economies are growing. They are rhythmically shifting from a natural to a commodity economy. However, on the other hand, when examined from the perspective of small town development, this has brought along with it many new problems.

1. Comprehensive city and town planning is not coordinated with development work. There is no overall plan coordinating economic and social development at the municipal, regional, and township levels. The construction system of Xiaoshan's 21 towns were all approved during 1984 and 1985 in a headlong rush that the investment for capital construction was diffused and the characteristics of the cities and towns were very monotonous thereby making it difficult to score economic benefits in large scale. It is difficult to utilize fully and revamp existing capital construction. Conflicting land use and construction demands affect development. Therefore, it is unanimously felt that a most pressing task is to formulate a comprehensive overall township regional development plan as soon as possible.

2. Above-ground and underground construction are uncoordinated. The infrastructure is poor. All levels of the leadership take note of visible, above-ground construction and neglect the underground infrastructure. As noted in the International Labor Organization's "threshold theory," the two major parts of gross urban investment, above-ground and underground, should be one-half each. However, at present in Xiaoshan's cities and towns above-ground forests of tall buildings attract attention while underground investment is not even one-fifth of that amount with poor survivability.

3. Most of the small cities and towns develop along highways. Main streets and construction are also at roadsides. In some towns the streets are used by people, vehicles, and trade stalls, making the roads too crowded to bear. Highways thus become streets. This affects transit and is unsafe. General transit motion has to find new roads.

4. Since the rapid development of small towns, current policies are no longer suited to development needs. From the small town development angle, we encourage peasants to enter cities to engage in commerce and tertiary industry. But this has raised a series of issues of a policy nature, for example, management of household registration, land, house property, industry and commerce, and so forth. Cadres and the masses at all levels commonly ask for reforms. The former relevant methods for dealing with these problems are far from suited to small town development needs.

5. Management organizations and the leadership control system are unsuited to the development of small towns. Leadership strength is quite weak at present in the town system. The majority of leaders were not specially

assigned to anything when the change to a town system was made. Now, there is generally only one deputy mayor in charge of town work who sets up an office and who mainly takes care of planning. However, because specialized knowledge is lacking, although they are long on enthusiasm, they are short on methods. It is difficult to make scientific and effective responses; this is true for Xiaoshan. In November 1987 it left the county and became a city, a difference of only a single word until now. Overall, it has been unable to act in the capacity of a city. The municipal area of Xiaoshan is still a city proper in the town organizational system. Thus, there are many contradictions regarding the nature, scale, overall area, environmental planning, comprehensive regional planning, and planning facilities of cities. There are separate leadership systems in many organizations, factories, units, and counties and villages surrounding towns. Town leaders cannot direct, manage, or coordinate them.

The Chinese social scientist Professor Fei Xiaotong [6316 1321 6639] has said, "small towns are big problems." This saying profoundly notes the importance and seriousness of existing small town problems.

#### D. My Humble Opinion of Small Town Development

I believe that, in view of the aforementioned situation, considering small town development strategy, in order to strive to make Xiaoshan have a modernized township network that has Jiangnan characteristics, is open to the outside world, and is multifunctional, we must:

1. Work further on overall planning, work out detailed plans, and fully utilize the guiding and restricting role of town planning.

There has been a longstanding disjointed state of town planning and development. Town planning should include development and construction plans, that is to say, overall planning and detailed planning.

Overall planning is the determination of the nature, scale, and direction of development of a town. Overall macroeconomic planning means making arrangements on all sides, setting quotas, practical steps, and measures regarding the layout and environment of every construction item. As for detailed plans, we must also determine the main controlling factors of site and elevation for road red lines, sections, districts, neighbors, and usage zones; determine the actual location and use of residential and public buildings, public green areas, public activity sites, industries, warehouses, roads, and other items; comprehensively arrange for the location and use of infrastructure outside of special sectors such as engineering lines and buildings; and know the average elevation plan designs for trunk roads and building blocks. Detailed plans ought to offer relatively strong guidance, adaptability, and control to allow strict control of town roadways, elevations, functions, types of buildings, and densities. Rough overall plans for Xiaoshan's towns have been worked out and approved but have not been followed by detailed plans. Thus, there have been many

contradictions in practice, for example in unifying elevation and density, control of land use and roadway intersections, underground project reduplication, red-line sectional control, and so on. Thus, I suggest that we try to work out detailed plans for each town, strictly build them with controlled guidance, and concurrently enhance planning management.

2. We must loosen policies further and speed up the urbanization process. The so-called urbanization process is the process of population migration into cities and away from rural areas. This process makes the number of towns grow and it expands the scale of urban population and land usage, thus continuously raising the urban population proportion in total population. Accelerated urbanization makes profound changes in human habitation and will alter the scale, structure, type, and function of an area. Policy nature problems encountered when improving small towns must be actively studied and handled in line with the spirit of the CPC Central Committee and State Council's "Ten Policies Regarding Further Enlivening the Rural Economy." In order to accelerate small town construction, we must encourage peasants to enter towns and engage in industry, commerce, and tertiary industry. As for their households, according to relevant State Council stipulations, we must grant approvals and preferences of all sorts. Land should be solicited by the government for town construction in a uniform manner, and approval procedures simplified. We must strictly control the scale of land use and not engage in scholasticism.

3. Thoroughly "have the people build people's towns." We must broaden avenues for town construction funds and accelerate town infrastructure building.

For a long time now, town infrastructure building in Xiaoshan has been poor, sluggish, and with many outstanding bills. In the past few years alone, with the leadership taking heed, there has been more investment in this major town and new work on many basic projects. But it far from meets the needs of economic development and improving the lives of the people. Contradictions are readily apparent. Toward this end, I believe that to spend more on town infrastructure means expanding sources of funds. We must use all sorts of methods to attract social capital in line with the principles of voluntary mutual benefit, a direct share in interests, and rational burdens. Rational fund raising and a multichannel approach will solve the capital question.

4. Strengthen town comprehensive development and practice "uniform planning, comprehensive development, and coordinated construction."

At present, there are prominent contradictions in town development. It is difficult to revamp old towns while new area development is uncoordinated. It is difficult for planning to be effective when there is no comprehensive development unit and there is chaotic underground digging and burial such that water pipelines become

blocked up. I suggest that we work according to an overall plan that is coordinated with individual construction plans and have comprehensive development that gathers together limited human, material, and financial strengths. When actually developing zones, bases, and housing areas, we should collect fees for urban reconstruction and coordinated development from construction units themselves. We should let more families build houses focusing on one-family houses (instead of one house for many families). The task is clear and responsibility must be shouldered. In this way responsibility for development rests with development companies, building management departments are responsible for building management, repairs, and assignment of social housing, urban development units are responsible for building placement, location, and management as well as upkeep of city government development projects.

5. Stress spiritual and educational work. Have both advance synchronously.

Small cities and towns also allow all the people of the country to have social and cultural exchanges, help supply each other's needs, spread similar culture, and ensure that the social order's regionalism will have a social mix. Thus, we must also emphasize spiritual culture while stressing material culture. We must earnestly draw on the past year's teaching of material and spiritual education with one tight and one loose grip. To sum up closely the reality of town construction and reform and opening to the outside world, and to sum up the reality of ideology, we must make full use of neighborhood committees and resident associations to formulate townspeople's treaties, do a good job of patriotic health work, rectify transportation, enhance market control, preserve the character and face of towns, attack the "six vices" and other criminal activities, establish cultural activity centers, and enliven the people's cultural lives. At the same time we must further improve cultural education work and social welfare work, creating cultural villages and towns, attaining both spiritual and material culture together.

As China's rural and urban reforms increasingly converge, intersect, and deepen, the web of cities and towns within the urban-rural network has become become the most sensitive area in China's urban-rural relations. It is unavoidable that many new characteristics and situations will bring about many new problems during development. Studying comprehensive small town development and construction is of major significance not only for China's urban development. Moreover it is of truly practical importance for China's urban economic development, for readjustment of urban-rural relationships, and for taking the path of urbanization with Chinese characteristics.

#### Weddings Become Costly Affairs

900N0372A Hong Kong CHING PAO [THE MIRROR]  
in Chinese No 151, 10 Feb 90 pp 54-57

[Article by Li Fei (2621 7378): "The High Price of Mainland Weddings Gets Worse and Worse"]



[Excerpts] The Lunar New Year is a peak period for young people to marry in China, particularly young people in the far-flung rural villages. The Lunar New Year this year, which happens to be the first Lunar New Year of the 1990's, is an auspicious day; consequently, the number of young people planning to marry is greater than in most years.

However, nowadays, "red expenses" (the name mainland young people apply to marriage expenses) are going up, continually "escalating" with alarming rapidity to become an insurmountable "barrier" that stands in the way of countless youths who dream of becoming "successful candidates."

A survey performed by the Rural Socioeconomic Survey Team of Jiangling County in Hubei Province shows a startling rise during 1989 in "red expenses" for rural young people, a young couple's wedding expenses averaging 8,964 yuan renminbi (and the same applies hereinafter) in a 40-percent rise from the 6,368 yuan of 1988!

The survey also showed that "betrothal gifts" sought by the bride's family accounted for a substantial percentage of rural young people's current marriage costs, and that they have "shot up" even faster as market prices have risen. In 1988, expenditures for betrothal gifts from the groom's family to the bride's family averaged 2,020 yuan, but in 1989 payments for betrothal gifts zoomed to more than 3,100 yuan in a 53.4-percent increase.

The survey showed betrothal gifts as being generally of the following kinds:

1. A "meeting gift" given the first time that the man visits the home of the prospective bride, generally costing between 100 and 300 yuan. No matter whether the two find each other compatible, this gift must be given.
2. If the two find each other compatible, the man's family has to choose an auspicious day for sending a "visitation gift" (called an engagement gift in some places) to the prospective bride's family. This establishes a formal "courtship relationship." Such a gift might include high-quality material for eight to 10 garments, 100 jin of fish and meat, and approximately 100 yuan worth of pastries, the expenditure totaling between 600 and 1,000 yuan. In some places, it is also necessary to present an envelope containing several hundred or as much as 800 yuan as an "earnest money" gratuity "to be kindly accepted" by the bride's family.
3. "Holiday gifts." During the "courtship period," on each of the traditional holidays—the Lunar New Year, Dragon Boat Festival, and Midautumn Festival—and on the future father-in-law's or mother-in-law's birthday, custom requires sending a gift without fail. Between 200 and 400 yuan each year will be required for these holiday gifts.
4. "Sharing gifts." Should the prospective bride's sisters or brothers marry during this period; should any of her

aunts have a birthday; or should any of her nephews or cousins marry or die, and so forth, in order to show that he is a "candidate" for membership in the bride's family, the groom has to present an extra "sharing gift," the value of which will depend on the circumstances. Usually, he will spend between approximately 100 and 200 yuan on such gifts in the course of a year.

5. If the "courtship" works out, a wedding date will have to be decided on with the bride's family. An "announcement day gift," also known as an "engagement gift" will have to be presented. The expense on this occasion will be greater. Between six and eight garments will have to be provided for the bride's trousseau, or, alternatively, between two and four outfits for each of the four seasons of the year; bedding items such as quilt covers, quilts, sheets, pillows, blankets, and down comforters, etc., in pairs; women's shoes, stockings, a wristwatch, a gold ring, gold earrings, and a gold necklace; a television, radio, and recorder, and so forth, for the new house, as well as a bicycle and a sewing machine for the bride. New clothes, new hats, and new shoes for the bride's brothers and sisters must also be given. In addition are all the expenses that the bride's family incurs in marrying the daughter, ranging from large outlays for chicken, goose, duck, and fish to small outlays for cigarettes, melon seeds, and candy. Of course, indispensable alcoholic beverages and drinks "to help people get happy" will also be required, all of them to be paid for by the groom's family. Expenses for this purpose will amount to no less than between 500 and 1,000 yuan renminbi, or even several thousand yuan, depending on local custom and the circumstances of the groom's family.

6. "Registration Gift." When the prospective bride and groom go to the government registration office to register for marriage, the groom's family must send the bride's family between 40 and 60 yuan as a "registration gift." In addition are countless marriage registration expenses as well as all expenditures for travel, food, and drink, which naturally are also borne by the groom's family. Nowadays, in order to save this "unnecessary" expense, numerous rural youths as well as those who have not attained the legal age for marriage set by the "Marriage Law" (males 22 years old, and females 20 years old) simply do not register. This has resulted in an ever-increasing number of "illegal cohabitants" and marriages before the legal age.

7. Following registration, the bride prepares to marry and leave home. Her family is reluctant to part with her, so by way of offering "comfort and remembrance" the groom's family provides the bride's family a "bride's departure gift" of approximately 200 to 400 yuan. Alternatively, it may buy clothing or gifts by way of "compensation."

8. When the bride leaves home to marry, she must cross the threshold into the groom's family home "in splendor." Thus, the groom's family must quickly provide several stylish garments for her at once, or send several pieces of material to make clothing for the bride to wear

when she crosses the threshold into the groom's family home. This costs another 100 yuan or so. This gift is termed the "threshold crossing gift."

9. Once the countless preparations have been made, only the arrival of the bride remains. When the groom goes to the bride's home to escort the bride, he must have ready a "bride escort" gift in order to gain entry through her "tightly closed" entrance gate. Once inside the courtyard, the groom has to arrange for the removal of all the bridal goods that the bride has made ready. This requires payment of another approximately 100 yuan as a "trunk display gift" and a "trunk opening gift." When the bride leaves home either on foot or in a sedan chair, payment to the bride's family of no less than between 10 and as much as 100 yuan, depending on the number of people in the family, will have to be paid as a "sedan gift" or a "good-bye expense." In addition to the sum paid for a band to play as the bride is carried to the groom's home, and for a "celebration" banquet for the public, "red packets" containing a "gift for help received," a "gift for carrying the bride's chests," a "gift for providing music," and a "chef's gift" will require a large sum of money.

Hallelujah! The new couple have finally reached the nuptial chamber. But the to-do is not over. The wedding night passes all too quickly, but as soon as the newly married man and wife rise, they have to "never forget from whence their happiness came, or fail to requite kindness." "The matchmaker can never be thrown away once a bride has her wedding day." The couple must visit the matchmaker with a "thank-you gift." In addition to all other gifts tendered, an additional sum of at least about 200 yuan in cash must be given the matchmaker. In addition, when the new groom sends the new bride back to her home for a customary visit, the new groom will naturally have to give his new father-in-law and his new mother-in-law, as well as relatives concerned a "token." This "return home gift" means peeling off more banknotes.

The foregoing is just the "main theme" for the gifts that have to be given from the time the curtain goes up until it goes down on a Chinese rural wedding nowadays. In addition are the gifts of various kinds bearing many names and countless in number such as a "master of ceremonies gift," "good-bye gifts for guests," "costuming gifts," "make-up gifts," "family tradition gifts," "bed-making gifts," "gifts given children at Lunar New Year's time," "trunk-packing gifts," "good-luck gifts," etc.

Despite the expense for numerous gifts when young people marry in rural areas, this is just a foretaste of worse to come when compared with the "high-quality goods craze" that is spreading among young people in Mainland China today.

Up until 1988, major high-quality merchandise such as color television sets, electric refrigerators, and tape recorders were only luxury items that young people in

the countryside "hoped for" when they married. However, by 1989, these three luxury items had become "necessities" at marriage time, "otherwise the marriage is off! How shameful when other people see that there is not even a television set, refrigerator, and such for the wedding!" This is what numerous young women about to marry said to their "sweethearts." So, men who are anxious to marry have no choice but to find a way to get them, or else pressure their parents, or take out a loan to bring these "foreign machines" back to an ordinary person's home. A survey that the Jiangling Rural Survey Team in Hubei Province performed showed that in 1989 more than 85 percent of rural newlywed households had a television set, a refrigerator, and a tape recorder purchased at a cost of approximately 5,000 yuan. In addition were payments for gold rings, an electronic keyboard, and a motorcycle for which the newlywed household paid between several hundred and more than 1,000 yuan.

If the price of household furniture is figured in, another several thousand yuan is required for just a slight amount of "foreign atmosphere." When the cost of a house is added in, even if one is built by exchanging labor for a saving of money for labor, between several thousand and 10,000 yuan will be required for lumber, bricks and tiles, cement, construction materials, and so forth. If the house is to "look decent," then several tens of thousands or as much as 100,000 yuan is needed.

This is not all. While waiting for the bride to cross the threshold, a substantial amount must be spent on a banquet for invited guests. For a rural marriage nowadays, a do-it-yourself reception numbering scores of tables or even 100 tables is the rule, and some marriage feasts go on for several days, people arriving at the "wedding banquet" in a steady stream. Take the situation in Jiangling for example. Before 1988, when young country people married there, the cost of a do-it-yourself reception was approximately 100 yuan per table, and a reception with 20 to 30 tables was given. By 1989, however, the cost of a do-it-yourself reception had risen to about 150 yuan per table, and the number of tables also increased to between 30 and 50. This meant a cost of between 4,500 and 7,500 yuan per couple for a "wedding banquet!" For Chinese peasants whose "livelihood depends on the whim of the weather," and whose income is very low, this is truly an extremely heavy burden.

Therefore, faced with the "high-priced wedding craze" prevailing in rural China today, numerous poverty-stricken young men sigh and say: "It looks as though I am destined to be a lifelong bachelor!"

If the cost of a wedding in China's rural villages is so high, what about cities and towns? What are young people's "red expenses" like in China's cities today?

Results of a Beijing Municipal Statistical Bureau survey of marriage costs of 50 newly married young couples conducted not long ago showed an average outlay of 12,281 yuan. Only 15 couples spent less than 10,000

## Honeymoon Blues



"Darling, your lovely wool..."

"It went for the air conditioner!"

yuan, 32 couples spent more than 10,000 but less than 20,000 yuan, and three couples spent more than 20,000 yuan. This means that even at an average cost of 12,000 yuan for a wedding, the "red expenses" of young people in Beijing in 1989 increased 2.06 times over the 5,948 yuan spent in 1986, and 6.17 times the 1,991 yuan of 1983. This is to say that during these six years the "red expenses" of Beijing youths doubled each year.

Let us take a look at Shanghai. Reportedly, the "red expenses" of Shanghai young people long ago passed the 10,000 yuan mark. Although dwellings are more crowded in Shanghai than elsewhere in the country, Shanghai young people are far ahead of the country as a whole in "following fashion" and "leading new trends." Few marrying couples stint on the cost of prettying up their "dove cage," and then they devote a lot of effort to wedging several large items such as a television set, a refrigerator, a piano, and a combination cabinet into it, so much so that they live surrounded and oppressed by things, and guests have virtually no place to stand when they come to their new home. Recently, a "gold jewelry craze" has become a fad. Every couple spends no less than 3,000 yuan on rings, earrings, necklaces, bracelets, and gold brooches. If all the electrical appliances, furniture, items use in daily life, and dinner parties are added in, together with other miscellaneous expenditures, each young Shanghai couple spends a "minimum" of 13,000 yuan on a wedding. Such "extraordinary expenses" and "red expenses" incurred in order to impress exist everywhere in the country. In Wenzhou, Zhejiang, for example, when young people marry, not only are they decked out with gold, but the clothes and the shoes they wear are name-brand "imports" costing 700, 800, or as much as 1,000 yuan. The nuptial chamber is also a

hodgepodge, neither Chinese nor Western, but resembling a bar, and the expense of decorating just two rooms amounts to at least 30,000 yuan! Moreover, when a young couple marries, their bed has to have at least three duck down comforters and three woolen blankets. Nowadays when quite a few people marry, large denomination renminbi are used to form the character for "double happiness," which is suspended in the main room of the house as a mark of honor. In some places when a person marries, a "large wad" (10 yuan notes) is used as wallpaper to paper the new house. This leaves onlookers speechless, but extreme joy may bring sorrow because one large fire and more than 6,000 yuan is burned to ashes. A prosperous family in a certain place also served a pot of ingot soup at the wedding feast. It folded new large denomination banknotes to make tiny boats in the shape of gold ingots, which floated on the soup, each of the banquet guests receiving one. For this "soup" alone, several thousand yuan were spent. Another wealthy household simplified matters even more. Each table was given a "cold plate," on which ten 100 yuan bills were placed, with each person at the table receiving one. At this wedding reception of scores of tables, several tens of thousands of yuan were squandered on this single "dish." One could go on and on. The ostentation of the nouveau riche seemingly knows no bounds.

Statistics published by the State Statistical Bureau show a 1988 per capita income of 1,119 yuan for city and town residents, and a per capita income of 545 yuan for peasants nationwide. As a result of the overly rapid inflation that year, 35 percent of families in the country saw a decline in their real income. However, the averages of more than 10,000 yuan and nearly 10,000 yuan spend on a wedding by city and country young people respectively amounts to a city resident's total income for 11 years, or the total amount a city and town resident spends in 19 years! Moreover, the amount rural young people spend on a wedding is equal to a peasant's total income for 16 years, or also equivalent to a peasant's total expenditures for 19 years!

Some people just decide that their own wedding must be this way or that way because someone else's wedding was one way or another. They constantly pester their parents, determined to squeeze out the last drop of their mother's and father's sweat and blood. Reports say that in Beijing and Wuhan more than 50 percent of young people's wedding expenses are paid for with "parents' assistance and relatives' gifts." According to a survey done in Hubei, 60 percent of the wedding expenses of rural young people were "paid for out of money that their parents had earned with their sweat and blood for many years." If "gifts from brothers and sisters or friends" are figured in, then 77 percent was paid for out of financial assistance from parents and the gifts of friends and relatives!

This means that countless fathers and mothers who toiled through years of hardship and impoverished circumstances to bring up their children with great difficulty must now force themselves to straighten up their



frail bodies, pluck up their spirits, and go forth to bear "red expense" burdens for their grown sons and daughters that are both unnecessary and extremely heavy.

According to one report, in order to "make a wedding a little extravagant" for a young man in Wuhan, his mother and father, brothers and sisters spent some 10,000 yuan of the families' savings accumulated over a period of more than 10 years. When this was still not enough, after retiring, the father had to take a "second job" driving a pedicab "searching for extra income" by scurrying to the train station and the pier. In less than three days after the son's raucous wedding, the father died of fatigue! [passage omitted]

For those young people who do not have a "support" to fall back on, yet want to "follow the fashion," and who thus have no choice but to pretend to be better off than they are and borrow everywhere in order to pay the "red expenses," the outcome is even less reassuring. A survey shows that 23 percent of rural wedding preparations are now paid for with loans, and that in cities a substantial number of youths also go into debt in order to have a "lavish wedding," some of them to the tune of several hundred yuan and as much as several thousand yuan. As a result, the young family starts out carrying a heavy burden. No sooner are some people married than their creditors come to their door, or even repossess their furniture, their decorations, and newlywed articles, the honeymoon thereby becoming a "gloomy moon." Because they are up to their ears in debt, they may blame each other. This may lead to a falling out between them, incessant arguing, broken feelings, and ultimately separation. Countless instances of this kind have occurred. In Shenyang, a newly married young couple borrowed 5,000 yuan to which they added their own savings to buy a color television set, a refrigerator, and a piano. In order to repay the debt, the two ate simple fare consisting of salted turnips and corn bread for a whole year, managing to pay back only 900 yuan even so. At New Year's in 1988, the husband paid the wages he had just received to a creditor who came to his door, and the family had no money to celebrate the New Year. His wife, her eyes filled with tears, looked at the baby who was crying for steamed dumplings, then looked at the color television set, the refrigerator, and the piano in the corner of the room and suddenly cried uncontrollably. She went insane! Soon thereafter, all the husband could do was sell these "three large items" because he needed money for his wife's hospital treatment, creditors were hounding him very hard, and he could no longer delay paying off the 4,100 yuan debt he owed.

As for those youths who incur a large debt for a wedding and are unable to repay it, quite a few finally do something reckless out of desperation, resorting to crime. In order to repay their debts, some people first try moving money from one place to another. When this does not work, they begin gambling, cheating, stealing, and robbing, or they sink into a criminal morass of graft and embezzlement. When creditors came to his door demanding payment day after day, one young person

who had incurred staggering debts for his wedding became so agitated that he seized a knife and ran out into the street to rob people. When one of his victims resisted, he killed him, and then he himself was punished according to law. On hearing the news, his new wife went insane and threw herself into a well. Thus, a perfectly fine family perished on this account.

#### Giving Good-Will Gifts Without Regard for the Burden

"Concern about good will" is becoming more and more intense in China's cities and countryside nowadays, and the giving of "good-will gifts" is also getting worse. In the cities, whenever a colleague would marry, everyone "chipped in" a few coins or a few yuan, and that was both decent and noble. Later on, if one sent a hot water bottle, a tea service, bed sheets, or a quilt cover, that was considered an "expensive" gift. But today, people feel that even a gift of several tens of yuan is "shabby." One has to send a gift worth at least 100 or 200 yuan, and the gift has to be at least a wool blanket costing at least more than 100 yuan. Formerly, when relatives or friends married in a rural village, the well-wishers coming to the wedding brought with them several jin of rice or noodles, or they carried a basket of eggs, melons, or fruit, or possibly even a chicken in order to partake of the wedding meal. Later on, this "escalated" to where sending 5 or 10 yuan was considered "generous." By 1987, a peasant in the Zhujiang delta region of Guangdong Province had to send a gift worth at least 20 yuan, and during the past two years, the price of the gift has "gone up" tremendously.

A survey conducted in Nanyiyang Prefecture, Hunan Province, in 1988 showed that peasants there spent 170 yuan per person for good-will gifts, about one-third more than in 1987. This figure amounted to 31.2 percent of peasant per capita earnings nationwide in 1988, and 35.5 percent of peasant per capita consumption for the same year! A survey conducted in Shenyang showed an expenditure of 313 yuan per household on good-will gifts in that city. This figure is equivalent to 28 percent of per capita earnings in cities nationwide for the same year, and 49 percent of city residents' per capita consumption nationwide for the whole year!

This means that one-third of what the peasants in China earn all year by getting up early and working hard till nightfall is taken for "good-will gifts," and more than one-third of "expenditures" that are nominally for themselves are made for "good will gifts." For urban staff members and workers who go to work early and return late, who wait for and ride on crowded buses going to and from work, and who work hard all year, about one-fourth of their income goes for "good-will gifts," and at least one-fifth of expenditures that are nominally for themselves are for "good-will gifts." [passage omitted]

### Initial Progress Reported in Eliminating '6 Vices'

900N0393A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 6-7, 12 Feb 90 pp 38-39

[Article by Chang Kung: "Mainland's Sweep Against the 'Six Vices' Scoring Initial Successes"]

[Text] The Chinese mainland recently launched a formidable "Wipe Out the 'Six Vices'" campaign, something that had not been seen often on the mainland in the past 10 years. State Council member and Minister of Public Security Wang Fang [3769 5364], on behalf of the State Council requested that all sources coordinate their activities to do decisive battle against the "Six Vices."

### The Spread of the "Six Vices" on the Mainland

At the establishment of the New China, the people's government launched a blitzkrieg to obliterate swiftly vices such as prostitution and procuring, white slavery and sale of children, drug cultivation, and such, while dealing an effective blow to gambling, feudalistic superstitions, and other activities harmful to the people. The Chinese people proudly proclaimed to the entire world that all the evils described above existed no more in China.

But, in recent years, these cancerous growths are reborn. At first, embarrassed as if it were their dirty family linen, people kept their mouths shut and even the news media avoided digging deeply.

Prostitution was first discovered along the coast in the more prosperous districts, then gradually crept toward the rest of the country. The first prostitutes were mostly unemployed women from peasant villages or cities. They were followed by workers, cadres, intellectuals, even including some women artists and writers. The first customers were purchasing and retail clerks, chauffeurs, and private individuals. Later, cadre members and intellectuals went for it. Some prostitutes even specialized in catering to foreigners. Judging from those arrested, the conclusion seemed to be that comparatively few were in the business because of family financial hardship, most sought the high life. At the same time, lawless elements saw a chance for illicit wealth and organized recruitment of women, acting as their pimps. In the period from March 1988 to September 1989, a suspended employee, Lin Fang Zhong [2651 2455 1813] of Heavy Machinery Factory No. 2 in Wuhan and seven others connived with criminals in the Zhuhai-Macao area to abduct and ship over 70 women in more than 20 batches to Macao for the purpose of prostitution. One of the deadliest by-products of prostitution is the spread of venereal disease. In these few years, the incidence of venereal disease has grown at an alarming rate to become a major public menace.

The spread of pornography has been even more startling. In a report to the National People's Congress, the News Publication Bureau announced that, after over a month's sweep for objectionable printed material, over 30 million

volumes were collected along with more than 400,000 pornographic video cassettes. Some criminals have become very rich from the smuggling, manufacturing, and sale of pornography. More serious is the discovery that quite a few of the confiscated books were actually published by government-owned printing companies. Obscene literature, poker, cartoons, and videotapes are polluting a healthy spirit, and the main sufferers are the young. In recent years, with a rising crime rate involving more and more of the young, over half had been affected by such filthy poison. One investigation revealed that over 95 percent of all the women in work-study reform programs in the nation were there for sexual offenses; about 30 percent of them were directly affected by pornographic literature or film.

The abduction of women and children is rampant, most seriously in the central plains. A number of dealers crisscross the country through Sichuan, Hunan, Hubei, Anhui, Shaanxi, Henan, Hebei, Shandong, and Shanxi, etc. In groups, they abducted and hijacked, flagrantly committing crimes. According to estimates in 17 cities in Sichuan, there were 2,478 cases of abduction in the first half of 1989 by 4,502 criminals, involving 4,194 women and children.

Drugs, which have been proclaimed the number-one public menace in the world, have surfaced in the south-western and northwestern parts of China recently. Many criminals took advantage of the opportunities afforded by reform and opening up to import drugs, while many who had trafficked in them before the liberation have revived their business. In the prefecture of Dehong in Yunnan Province, a border guard inspection station at Mukang, in just two days toward the end of last year, netted over 25,000 grams of heroin from two cars. From January to September 1989, Gansu Province reported more than 400 crimes involving drugs.

As a phoenix rising above its ashes, gambling and feudalistic superstitions have spread rampantly from village to city in these few years. From January to November 1989, the nation reported 260,000 crimes involving gambling. Private citizens constituted the "main force" of gamblers. In Beijing's Chongwen District, a certain private individual named Zhao [6392] bragged about having assets of more than 100,000 RMB [renminbi], but after he fell into the gambling seas, he lost everything. His family broke up, he only had 20 RMB in the house. After writing a bitterly contrite last testament, he swallowed several hundred sleeping pills....

The "six vices" have severely hurt the moral posture of mainland society, causing most of the crimes.

### "Sweep Away the 'Six Vices'" Campaign Grows in Intensity

After the Chinese Communists proposed the "Sweep Away the 'Six Vices'" campaign, Beijing, Sichuan, Qinghai, Ningxia, Shanxi, Liaoning, Jilin, Shandong, Anhui, Hebei, and some cities and special districts successively

convened meetings and began widespread propagandizing to mobilize the public to battle the "six vices."

Such formidably intense propaganda not only educated a large part of the public, but unnerved some criminals. In a month or so after 20 November 1989, in Shanxi's Taiyuan alone, more than 10,000 people who practiced the "six vices" turned themselves in to the local public security authorities for registration. The city of Changsha had 15,000 contrite gamblers register voluntarily.

—Beijing. In half a month of 39 major coordinated sweeps involving districts, magistracies, and 8,700 man-hours, more than 10,000 "six vices" offenders were apprehended. Among them were a company general manager, labor union chairman, shop foreman, and others.

—Tianjin. In a half-month's time, 2,675 lawbreakers were taken in from nearly 900 criminal organizations. Over 3,000 pornographic tapes were confiscated and 26,900 RMB from gambling. In Tanggu District, more than 30 gamblers had been in a gambling marathon lasting more than 30 hours with over 120,000 RMB in gambling stakes. Some had lost their children's dowry, some had embezzled large public funds. Some women sold their bodies to pay for their losses.

—Hebei. In half a month, the province netted 6,500 "six vices" criminals who had sold women and more than 110 prostitution rings. Handan District's intermediate level separately ruled death sentences, death with a two-year reprieve, and forced labor, life imprisonment, and sentences of various lengths.

On 30 December 1989, the Ministry of Public Security held a news conference to report that from 13 November to 25 December, more than 14,000 "six vices" criminal cases, involving over 350,000 criminals, were logged nationwide. Over 2,500 were arrested according to law, those with serious criminals receiving the ultimate penalty. More than 2,200 were sent away for labor education.

In this coordinated "Sweep Away the 'Six Vices'" campaign, aside from the close cooperation between the political and law enforcement agencies and with strict adherence to legal principles, other government bodies all supported the campaign through division of labor in their own respective areas. Propaganda, culture, and education departments earnestly conducted educational propaganda in thought, morality, and law. Cultural, publishing, film, and television agencies reinforced control and reform in the cultural arena. Labor and commerce did the same with respect to hostels, restaurants, cabarets, coffee houses, bars, and private hotels. Health organizations stepped up venereal disease inspections and treatment.

The campaign has aroused an intense response in China's society, with excellent results and strong public support.

Mainland authorities believe that one or two battlefield victories will not win the war against the "six vices" for good. Cadre of the security organizations generally agree that actions so far have only hit the tip of the iceberg and that the real criminal elements have not yet been hit. Some of the most audacious are still in business. Therefore, the campaign must be resolutely waged and go deep.



### **Nanjing Political Commissar Addresses Ideological Work**

90ON0448A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese  
No 209, 16 Feb 90 pp 42-44

[Article by Chen Tingting (7115 1250 1250): "Political Commissar Fu Kuiqing of the Nanjing Military Region"]

### **[Text] Political Commissar Fu Kuiqing of the Nanjing Military Region Getting More Active Lately**

On 30 January 1990 General Xiang Shouzhi [0686 1343 1807], commander of the Nanjing Military Region, Lieutenant General Fu Kuiqing [0265 1145 3237], political commissar of the same military region, and Zhu Rongji [2612 3579 1015], secretary of the Shanghai CPC Committee and mayor of Shanghai, accompanied President Yang Shangkun, who is also executive vice chairman of the Central Military Commission, as the latter inspected armed forces in Shanghai and observed a military drill. Earlier, Li Peng said publicly that if Taiwan were to declare independence, the CPC certainly would not sit by idly and do nothing. The Nanjing Military Region [MR] has jurisdiction over Fujian and faces the Strait of Taiwan. Lt. Gen. Fu Kuiqing, who was seldom seen in public in the past, is assuming a more active profile recently. He is a man to watch.

### **Joining the War of Resistance Against Japan and Growing Up in the New Fourth Army**

Born in November 1920, Lt. Gen. Fu Kuiqing currently serves as political commissar of the Nanjing MR and sits on the Standing Committee of the NPC [National People's Congress]. He is a native of Yingshan County, Hubei Province. After the War of Resistance Against Japan broke out, he joined the CPC's resistance movement in October 1937 and worked as the party's underground messenger in Yingshan County. He joined the CPC in August 1938.

Subsequently, he was put in charge of the Jinpu district committee in Yingshan County. In August 1939 he switched to military work, becoming secretary for propaganda and organizational work in the political office of the guerrilla unit of the New 4th Army north of Chang Jiang, political instructor of the 1st Company of the 2d Regiment, chief of the organization section of the political office of the 18th Regiment of the 6th Brigade, chief of the organization division of the Political Department at the Huannan Jinpu Luxi joint command, deputy chief and chief of the organization division of the Political Department of the 5th Brigade of the 2d Division.

Between 1947 and 1949, Fu Kuiqing was successively deputy political commissar of the 58th Regiment, 20th Division, 7th Column of the Huadong People's Liberation Army [PLA] and political commissar of the 22d Regiment of the 74th Division of the 25th Army of the PLA's 3d Field Army.

Between 1950 and 1953, he served successively as deputy director and director of the Political Department of the 74th Division of the 25th Army; chief of the party affairs office of the Political Department and Organization Department in the East China MR; and deputy director of the Political Department and Organization Department of the 9th Army of the volunteer forces. Between 1953 and 1964, he was director of the Political Department as well as political commissar of the 69th Division of the 23d Army. He was awarded the military title of senior colonel.

### **From Secretary of the Heilongjiang CPC Committee to Political Commissar of the Fuzhou Military District**

Between 1964 and 1975, he was successively director of the Political Department, deputy political commissar, and political commissar of the 23d Army. Between 1971 and 1975, he was secretary of the Heilongjiang CPC Committee. Between 1975 and 1980, he served concurrently as director of the Political Department and political commissar of the Shenyang Military Region.

Between 1981 and 1985, he was political commissar of the Fuzhou Military District. In June 1985, he became political commissar of the Nanjing MR. Between September 1982 and November 1987, he was a member of the CPC Central Committee. He has been a member of the Standing Committee of the NPC since April 1988 and was made lieutenant general in November 1988.

Fu Kuiqing has been involved in political work in the military ever since he joined the revolution, serving as political commissar at the army, division, and military region levels in succession. Consequently, he is very experienced in ideological and political work in the armed forces. Whether teaching a class or having a heart-to-heart talk with others, he never indulges in empty theorizing, but always makes a point in relation to reality and seeks to convince people by reasoning, teaching with skill and patience. For this reason, cadres and soldiers have nothing but high praise for him. As political commissar of the Fuzhou Military District a few years ago, he traveled a thousand li to study grassroots units stationed in the mountains, on islands, and in special economic zones in order to explore ideological and political work in the new era, and he developed many new ideas about how to carry out ideological work successfully.

### **Education in Ideals, Discipline, and Revolutionary Heroism**

I met with Fu Kuiqing in a small conference room in Jingxi Guesthouse a year ago. Well-built, energetic, and quick-thinking, he looks several years younger than his actual age of 68. When the conversation turned to how to make ideological and political work a success in the new era, he first quoted a paragraph from Deng Xiaoping's speech to the armywide political work conference in 1978, "Judging from the problems in the forces and the real situation, the most important thing is to revive and further the fine tradition of political work and raise the

combat capability of our forces under the new historical conditions. To do so is to follow Mao Zedong's teaching about seeking truth from facts and analyzing, studying, and solving real issues." In Fu Kuiqing's opinion, Deng Xiaoping's words sum up the guiding philosophy for ideological and political work in the military in the new era. Under this guiding philosophy, we need to straighten out the relationship between continuation and innovation.

Integrating political work in the war years with his own personal experience in political work, Fu Kuiqing referred to the issues that political work in the military should come to grips with today. Education in ideals, discipline, and revolutionary heroism, he said, is the good tradition and essence of ideological and political work in the PLA. Ideological and political work must be tackled relentlessly in the new era. A noteworthy problem these days is that some of our soldiers are paying less attention to ideals and discipline. Some of them even say, "What ideals? I only think of profit." Some individuals even believe that as long as you have money, "your future is assured." Fu Kuiqing said, "As the People's Liberation Army, we must stress ideals even more. Otherwise, military ideological and political work would have no spiritual support and soldiers would lose the will to fight and the spirit of sacrificing themselves in defense of the motherland. Ideological and political work in the new era must intensify education in ideals and discipline in every way in order to create a climate in which ideals and discipline are valued and generate a powerful social opinion, thereby inspiring cadres and soldiers, raising their ideological consciousness, and expediting the completion of various undertakings. This is the only way to energize ideological and political work in the Armed Forces in the new era and make it a stronger fighting force."

#### Political Work in the Military Region

In Fu Kuiqing's opinion, ideological and political work must be closely related to reality. In the era of the open policy, this means solving various ideological issues by putting them in the context of structural reform and organizational streamlining, vigorously publicizing various models in the daily life of the Armed Forces, and answering real-life questions with facts. When he was political commissar of the Fuzhou Military District, the district CPC Committee publicized seven or eight models, including Sui Rong [4205 2837], a cadre and party member who gave his entire life to the party, and Zhou Zhengliang [0719 2182 5328], a "patriotic parade guard" in the units throughout the district. Later they also publicized the deeds of Zhu Yong [2612 0516], a martyr who took part in a combat exercise using live ammunition as China fought in self-defense against Vietnam. Zhu Yong was killed when he was only 21. He had fought heroically and was cited for meritorious service, first class and second class. Before he died, he wrote to his mother saying thatm should he give his life for the nation, she should not make any demand of the party. He also asked her to give the entire sum of his

three months' salary to the party as party membership dues. The publicizing of these models was highly useful for the ideological construction of the military. Today ideology and discipline must be explained on a theoretical level as necessary so that cadres and soldiers can tell right from wrong. That way, ideals and discipline may be able to take root in their thinking.

Fu Kuiqing went on to stress that ideological and political work in the new era should conscientiously subordinate itself to and serve the overarching goal, which at present is national economic construction and military reform. Ideological and political work must discuss and think about the overarching goal, combining military construction with national construction and educating the rank-and-file to keep the entire situation in mind while sticking steadfastly to their own jobs so as to contribute to socialist modernization and military construction. In reality, however, ideological and political work often suffers from "two selves and one drifting." That is, it tends to be self-centered and self-serving and drift away from the central goal of military modernization. He cited many examples to illustrate this point. Some comrades are still wedded to the habit of putting political work at center stage and fail to combine it with various aspects of modernization properly. Some political organizations fail to take the initiative to coordinate their activities with offices and logistical departments, often acting as if they were leaders consciously or unconsciously, and even demand that political work take priority over other work. The inevitable outcome is insufficient concern for military work and halfhearted educational training and logistical work. In particular, some do not orient themselves to modernization, to the global technical revolution, and to the future. Accordingly, they cannot guide military modernization from a strong position. Some political departments do not effectively serve modernization in the work they are directly in charge of. For example, in organizing scientific studies and training "two-use" qualified personnel, they lack a bold vision and effective measures. In selecting people for a job, they dare not righteously and confidently appoint cadres with special skills. It can thus be seen that we need to further eradicate "leftist" influences and remove political work from center stage and subordinate it to the broad picture.

Referring to the methods and forms of ideological and political work, Fu Kuiqing said that these days a few instructors recite the textbook verbatim in political classes. When they are done reciting, the class is over. The soldiers say, "Everybody has a copy of the textbook. We would be better off reading it on our own." Other political work cadres have said that many soldiers have no interest in political education. Asked why, they all said bluntly, "The report by Li Yanjie [2621 3601 0267] and the accounts of heroic deeds on the Laoshan front are more exciting than even Mei Lanfang's [2734 5695 5364] *The Generals of the Yang Family*. But it is boring listening to the education of the company." Fu Kuiqing

believed that it is no longer effective to conduct ideological and political education in a subjective and authoritarian way using simple, rigid methods. Instead, we must adhere to democratic principles and introduce a method of self-education that is oriented toward "research," "discussion," "conversation," and "inspiration" to replace the old approach that "stifles," "spoonfeeds," "criticizes," and "suppresses."

Fu Kuiqing said that when he was political commissar of the Fuzhou Military District most of the units in the district were stationed in special economic zones and economic development areas. To adapt to this new situation, ideological and political work has also paid attention to the open policy and economic vitalization. These days many companies have contacts with the families of soldiers, writing letters to the latter or visiting them regularly, in order to cooperate with them to do a good job in ideological and political work. They also keep in touch with the political organizations in the soldiers' hometowns, reporting to them the soldiers' situation in the units and asking the local organizations to report any happy news from home. In this way unit education, social education, and family education are integrated organically, resulting in "management by the three parties." In light of the characteristics of young soldiers, many companies also organize meetings bringing together soldiers with local branches of the CYL [Communist Youth League] and college students to increase social activities between soldiers and their peers. The idea is to enable them to visualize the

motherland's future course of development through extensive social contacts and every channel of information and discover their own ways to mature into useful people and make contributions, thereby finding their own place in society. Soldiers say that as taught in the past, ideals were highly abstract, whereas social education has now enabled theory to take root in the fertile soil of society and add the wings of science. This kind of education has made it possible for us to develop firm ideals.

#### **New Characteristics of the New Soldier of the PLA**

Referring to the survey on his units, Fu Kuiqing said that the soldiers of the 1990's are different from their counterparts of the 1970's. Most soldiers of the 1970's came from the countryside and were poorly educated, simple-minded, hard-working, and obedient. Soldiers of the 1980's include a good number of students and unemployed youth. They are better educated and have quick minds and a strong capacity for seeking out knowledge on their own and thinking independently. Their methods of thinking, moral standards, and pursuit of ideals have all traveled far beyond the limits of the military barracks and are highly extensive in both time and space. Ideological and political work must adapt to these changes by broadening its vision and widening its approach. It must locate the "common ground" in society that is compatible with the cadres' new thinking and give itself a new look, multidimensional, diversified, and energized.



## CENTRAL-SOUTH REGION

### Guangdong Town Praised for Spiritual Civilization

#### Endangered Development Described

90ON039. Guangzhou NANFANG RIBAO in Chinese  
16 Feb 90 p 1

[Article by Guan Jian (7070 0256), Chen Shangzhu (7115 0006 3137) and Jiang Tao (3068 3447): "Spiritual Civilization Blooms in Luoyuan; Party School, Peasants' Technical School, Broadcasting Station, and Cultural Office Have Become Frontline Centers for the People's Education and Recreation"]

[Text] The town of Luoyuan, located on the edge of a hilly region in Sihui County, has in the past several years consistently stressed the simultaneous building of both material and spiritual civilization. The picture that emerges is one of a satisfied, stable, and unified people, striving ever upward.

The cadres that reporters visited in Luoyuan all expressed the view that the town was doing very well; this was true whether they were natives or had come there from somewhere else. In recent years, the town of Luoyuan has applied the vigor of economic construction in building the "hardware" of socialism's spiritual civilization. Starting in 1985, the locality squeezed out more than 3 million yuan from its limited income to build a new country town and refurbish the town's streets and alleys, build four new schools while rebuilding and expanding two older schools, start construction on a home for the aged, begin construction on a cultural center building and rebuild 11 cultural offices, and begin construction of loudspeakers in the administrative area and the village, eight of which will be to equip rural households with wired broadcasting, and two so that more rural households will have television. The agricultural technical school has trained 17,066 peasants. However, the cadres on the town committee are still working in an old, outmoded one-story building constructed in the 1960's.

The cadres and masses here are daring, energetic, and full of vitality, with an excellent mental outlook. The teachers are content to teach, and it has been years since a teacher "jumped the ditch." The peasants love their country and their collective; since 1982, their 290,000 yuan annual quota of national treasury certificates were wholly subscribed in just a few days. Since 1985, they have annually fulfilled their quota of nearly a million kilograms of grain; since 1985, the natural increase in the birthrate has been held below eight percent, and last year dropped to 4.29 percent. The party, the people, and the general atmosphere of society have all improved. Activities that were widespread at one time in the past, such as gambling, stealing, and feudal superstitions, have disappeared from the scene, to be replaced by a rich variety of mass recreational and educational activities, such as

reading books and newspapers, listening to broadcasts, writing poetry and painting, dancing and singing, playing ball or chess, and so forth.

By building spiritual civilization, the town of Luoyuan has advanced the building of material civilization. The town's total output of rice in 1989 was 5,620 tons, an increase of 1,587 tons over 1980. The industrial output value was 11.56 million yuan, an increase of 9.8 million yuan over 1980. The peasants' per capita income increased 10-fold over 1980.

The town of Luoyuan is situated in the north of Sihui County, near Guangning County and the city of Qingyuan. Surrounded by mountains, it is only 25 square kilometers in circumference. It is a small town, with a population of less than 10,000. In the years after the joint household contract responsibility system went into effect in the agricultural villages, and the peasants had the power to act on their own initiative, the cadres at first were overly cautious and relaxed their thinking and political work, resulting in the will of the people gradually falling apart. At that time, there was a resurgence of unhealthy and evil practices which had not been seen for many years: Gambling became the order of the day in the countryside, indulged in by adults and children alike; feudal, superstitious activities also began to appear, such as beseeching the spirits, praying and giving alms for the dead, seeking exorcists to drive demons from the living, everything. The public order was also in chaos, with stealing and looting going on all the time and general turmoil. Public morale was uneasy. To counter this situation, the Luoyuan town committee realized that there must be no letting up in theoretical governmental work, and there must be no relaxation of efforts to come to grips with it. How could they come to grips with it? "Mindless government" had proven unsatisfactory; a new route must be found. A survey disclosed that after there were contracts, the majority of the people were of one mind in thinking that doing a good job on one's own few mu of land allowed the days to pass a bit more easily, and it produced a desire for "knowledge, music, abundance, and stability." They urgently sought a cultural life that was healthy and richly varied. Therefore, starting in 1982, at the same time that the Luoyuan party committee was stressing economic construction, there was also major emphasis on building a socialist spirit of civilization, placing the building of this within the overall plan of socialist modernization, and adhering to this unceasingly. They gave full attention to building the way of thought of leading groups, from self-starting, with no trickery, seeking no personal privileges, immersing themselves in the masses and keeping in touch with them, with concern for the masses' thinking, production, and livelihood. They stressed the building of contingents among party personnel and members, developing among party personnel education in the fundamental aims of the party, bringing into full play in the villages the exemplary vanguard role of party personnel, beginning to establish among the masses approval of the party's style. They stressed educating the peasants in political

thought, working hard to raise the quality of the people, while also in practice gradually forming education in profound political thought in the study of culture and technology, and education in profound political thought in lively cultural recreational activities. This was a complete and effective approach, gradually creating stability and unity, making every effort to raise the general atmosphere of society, so that economic construction develops in unison with the building of a spirit of civilization, while at the same time achieving great successes.

### Nanfang Commentator's Article

90ON0392B Guangzhou NANFANG RIBAO in Chinese  
16 Feb 90 pp 1, 3

[Commentator's article: "On Luoyuan's Learning and Stressing the Building of a Spirit of Civilization"]

[Text] Today this paper begins a series on the town of Luoyuan in Sihui County, describing its achievements and experiences in building a socialist spiritual civilization. Their experiences in deepening reform of the villages and building a rich spiritual civilization are well worth emulating.

Luoyuan's experiences demonstrate once again that building a spiritual civilization is a method that must be included in the overall pattern of China's socialist modernization, and is of major significance in the rise and fall, the success or failure of socialism. Adhering to an emphasis on both a material socialism and a spiritual civilization is our fundamental plan. However, this problem is not just the concern of the cadres working in the villages and the Luoyuan party committee; it must be studied carefully from the frontline positions to the highest levels. In recent years, there has appeared in some places the phenomenon of building a material civilization while building a spiritual civilization will be strong on the one hand, and weak on the other. This is particularly manifested by some of our comrades stressing building a material civilization while putting little emphasis on building the spiritual civilization. In contrast to this, the town of Luoyuan has all along adhered to "the two emphases"; the result has been economic development, with every enterprise prospering, improving the laying of a foundation for building the party and the general atmosphere of society. Moreover, this improvement in the party, the people, and the general atmosphere makes the peasants feel that their prospects are bright, and arouses their spirits to apply themselves even more enthusiastically to economic development, and puts the building of material civilization on the correct path to attaining rapid development.

In the societal development of mankind, there cannot be only a material motive force; there must also be a spiritual motive force. The spiritual civilization must be a part of the life of mankind. As Jiang Zemin has said, "If people lack a strong spirit as their pillar, one cannot imagine them remaining independent in the forest of the

world's peoples." Therefore, in studying and popularizing the experiences of Luoyuan, the first step is to heighten awareness of the important significance of building a spiritual civilization. This must be done if we are to overcome the situation of strength on the one hand and weakness on the other.

Some people may question this, asking, how can we build a spiritual civilization without a prosperous material foundation? This is only partly correct. Building a socialist spiritual civilization includes building culture and building with Marxism as the guiding thought. It is true that the development of education, of science and technology, the spread of culture, all require money. However, as Deng Xiaoping has stated, "When we speak of the spiritual civilization, we refer not only to education, science, and culture (and this is absolutely essential); we also refer to such things as the viewpoints and principles of communist thought, ideals, beliefs, ethics, discipline, and revolution, and people's comradely relations with one another." The economy of Luoyuan, because of a poor original foundation, cannot be compared to that of prosperous areas. Even in Sihui we can only regard it as average. In the past few years they have put more than 3 million yuan into laying a spiritual foundation, as well as tightening their belts for several years. However, why are Luoyuan's material and spiritual civilization building developing synchronously? Other than being limited in funds to make a complete, rational arrangement, which would provide the material insurance for building the spiritual civilization and which is a very important reason, the town and party committees have from the first maintained that they could not get away from having Marxism as their guide. They have educated party personnel and the masses in thought, ethics, and legal institutions, in accordance with the requirement to have "thought, ethics, culture, and laws." They have raised the quality of the people's thought and ethics, and of their science and culture, taking firm hold of the basic mission of building a socialist spiritual civilization. They tell everyone that in Luoyuan's experience, regardless of whether the material conditions are good or poor, building the two civilizations together will result in double successes; this is something that is absolutely achievable.

Luoyuan's experience also shows that by keeping to an emphasis on both the material and the spiritual civilization of socialism, leading groups must then stress building their own thought and style, cultivating the idea of serving the people with all their heart and soul, struggling against adversity, performing their duties honestly, going deep into the realities of life and caring for the masses, to become the strong nucleus for leading the masses of the people in carrying out socialist construction. The Luoyuan party committee is now placing severe demands upon itself, for it knows that through an emphasis on the building of its own thought and style it will be devoted to its duty, work selflessly for the public interest and lead the charge. Only when the committee becomes the strong, leading nucleus for building the two civilizations will there be true success with both.

The provincial committee is requiring that this year every locality show progress in strengthening its building of spiritual civilization and also formulate specific plans for doing this. We hope that every locality will come to Luoyuan to study its experiences. If every level of leadership can emulate Luoyuan in this way, with a thorough understanding of the important significance of building a socialist spiritual civilization, if party and locality are unremitting in their stress on building the two civilizations, then not only can our province's rural villages climb to a new level, but the building of spiritual civilization will be raised as well.

## NORTH REGION

### Inner Mongolia's Personnel Reshuffles Noted

SK2903115490 Hohhot NEIMENGGU RIBAO  
*(in Chinese 28 Feb 90 p 1)*

[Name]list of personnel appointments and removals adopted at the 11th Standing Committee meeting of the Seventh Inner Mongolia Autonomous Regional People's Congress on 27 February 1990]

[Text] She Namujila was removed from the post of chairman of the regional Mongol language work committee, and Zhou Weide was dismissed from the post of director of the regional statistical bureau.

Bai Yin [4101 7299] was appointed as director of the regional educational department; Wei Xian [7279 1720], chairman of the regional Mongol language work committee; Lian Baochun [1670 1405 4783], director of the regional coal industrial department; Li Maolin [2621 5399 2651], director of the regional public security department; and Zhou Weide, chairman of the regional planning committee.

## NORTHEAST REGION

### Heilongjiang Vice Governor Sun Weiben Profiled

900N0379A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] *(in Chinese No 208,*  
*16 Jan 90 pp 18-23)*

[Article by Li Guoqiang (2621 0948 1730): "Reorganization Is a Turning Point for Heilongjiang's Future Major Development—An Interview With Song Weiben, Secretary of the Heilongjiang Province Party Committee"]

[Excerpt] [passage omitted] My aim in coming to Heilongjiang was to interview Mr. Sun Weiben [1327 4850 2609], Secretary of the Heilongjiang Province Party Committee. When I arrived in Harbin, Secretary Sun Weiben was in Mudanjiang City, and on the evening of the 22d he returned to Harbin, then went to hold several important meetings and a series of related tasks. On 24 December 1989 at 1500 in the afternoon, he and Meng Chuansheng [1322 0278 3932], head of the

Heilongjiang Overseas Friendship Society came to the room where I was staying at the Heping Guesthouse. We talked until the evening. The attitude was amiable, frank, and to the point. And much is worth presenting to the audience abroad.

Heilongjiang's most recent developments, especially in such areas as social stability, holding down prices, formulating 383 projects [efforts to stabilize prices for the 383 items that are the basis for the overall commodity price index], and looking the reality of the province's situation squarely in the face, and implementing "science and technology building in the province" earned the affirmation of the common people of the province and respect outside the province. This is inseparable from the efforts of Sun Weiben and all levels in the province.

### Born in Liaoning, Grew Up in Harbin

This Heilongjiang leader was born in Yingkou City, Liaoning, on lunar 19 November in 1928. His father had been an employee of the former Chinese Eastern Railway. When Sun Weiben was three, his father brought him to Harbin. It was the time of the "September 18th Incident" and the northeast had fallen into the hands of the Japanese.

From the time he was three until the victory in the War of Resistance, Sun Weiben lived in Harbin and studied and participated in revolution; in recent years Sun Weiben has also been responsible for directing work in Heilongjiang, thus one could say that Harbin has become his second ancestral home.

On the victory of the War of Resistance on 3 September 1945, before the then 17-year-old Sun Weiben had graduated from the puppet Manchukuo school and the Liberation Army had not yet entered the city, Sun Weiben had learned Japanese and Russian and had studied English for six months.

On 28 April 1946 when the Northeast Allied Army entered Harbin, Sun Weiben began to come in contact with revolutionary work. In May 1946 he joined the Harbin City Committee People's Movement Work Team and did propaganda and organizational work among civilians and students and participated in activity to repatriate Japanese after the victory in the War of Resistance.

Going south to Shenyang in December 1946, Sun Weiben was assigned to the goods-and-materials receiving department of the Northeast Trading Company. At the time his primary task was to receive goods and materials from the Soviet Union and goods shipped by sea through Korea to supply civilian and military needs because, at the time, southern Liaoning was occupied by the KMT [Kuomintang] and goods could not be imported from the south. Before long, civil war between the KMT and the CPC broke out again. After Sun Weiben had been working at the goods-and-materials receiving department for nearly a year he was sent to



work in the Heilongjiang Trade Management Bureau, which was at the time in Beian City (Beian was the provincial capital of Heilongjiang at that time). In October 1948, the fierce Laoshan Campaign was nearing its conclusion and Sun Weiben was transferred to Harbin to organize the first work detail to go south to take over Shenyang, the largest city in the northeast. At the time, Harbin was the provincial capital of Songjiang, one of the nine northeastern provinces. Sun Weiben remembers clearly that after a period of intensive training, on the evening of 20 October 1948, wearing an army uniform, he set out from Harbin and traveled by train through Jilin and Meihekou to Siping. After arriving in Siping, he rested during the day and marched in the evening, arriving on the evening of 2 November after a 12-day journey, and that same night, with the army's liberation of Shenyang, he entered Shenyang City.

From that time, he also went to work in the finance office of the Shenyang City Military Control Committee. At the time the director of the Military Committee was Chen Yun [7115 0061] and the deputy directors were Tao Zhu [7118 6999] and Wu Xiuquan [0124 0208 2938]. The head of the finance office was Yi Xiuxiang [2496 4423 3276] (in the early fifties Yi was vice governor of Guangdong). The work here was to support the southern movement of the CPC Army, collecting gasoline equipment, oil drums, etc. In March 1949, the Shenyang Municipal CPC Committee was established and after Sun Weiben completed the task, he was assigned to work in the Industrial and Commercial Bureau of the Shenyang City People's Government. At the time the scope of the Industrial and Commercial Bureau's jurisdiction included both industrial and commercial aspects. After a little over six months, in October 1949, Sun Weiben was assigned to the Shenyang City commercial party committee and from this time to the present, Sun Weiben has been involved in party work for over 40 years.

#### **Specialist in Party Affairs Work**

In June 1950, Sun Weiben was transferred to the Organizational Department of the Shenyang Municipal CPC Committee and worked in the party personnel management office. Soon, the Korean war broke out and Sun Weiben and the young people then in the department signed up to go the front to resist the United States, help Korea, and defend their country, but, except for Lu Qian [0712 0366 1869], then the head of the Organization Department (he was later secretary of the Harbin Municipal party committee and mayor), who was transferred to the logistics department at the front lines, the others were all kept where they were.

#### **From Secretary of the County Committee to Member of the Central Committee**

Sun Weiben was section chief of the municipal party committee until 1960. After that his job was changed: He was sent to Liaoning where he was county party committee secretary in Xifeng, Kaiyuan, and Faku Counties

and serving as county party committee secretary for 16 years until February 1976, when he was promoted to party committee secretary at Tieling in Liaoning. In March 1982, he was promoted to deputy party secretary of Liaoning Province. In September 1982, at the 12th congress of the CPC, he was elected as alternate member of the CPC Central Committee. In September 1985 he was selected member of the CPC Central Committee at the CPC National Congress. In November 1985 he was transferred to Heilongjiang to assume the position of secretary of the Heilongjiang party committee to replace Li Lian [2621 0500 1344] who was appointed to the Central Advisory Commission. In November 1987, at the 13th CPC National Congress, he was again elected a member of the Central Committee of the CPC.

During the Cultural Revolution, Sun Weiben suffered a great deal. From the end of 1966 until 1968 he spend three years out of the way, and was labeled a capitalist roader. In 1967 he also spent three months in prison accused of having written several books concerning party building and was considered to be spreading Liu Shaoyang's revisionist views. He was even accused of having been deputy chief of the China Unification Bureau of the KMT [Kuomintang] before liberation. Of course, this was definitely not true. As Sun Weiben said to me, at the time he was only 20 years old, and just in terms of his age, how could he have been deputy chief of "China Unification"?

#### **Sun Weiben's Family**

Sun Weiben's wife was involved in hospital affairs work and has been retired for many years.

Sun Weiben has three children: after graduating from the Lu Xun Academy of the Arts, his eldest son went to work at a magazine for Liaoning Communist Party members; his eldest daughter is at Chinese Medical University where she stayed after graduation from the university to carry out research; his younger daughter, who is 24 this year, is a graduate student in the computer department of Harbin Industrial University.

In 1979 and 1980 Sun Weiben studied at the Central Party School: In 1979 he studied at there for 11 months and in 1980 he also studied for four months as a participant in the high-level cadre class held by the Central Committee Organization Department and the State Agricultural Commission.

#### **Editing the Dictionary of Chinese Communist Party Affairs**

Sun Weiben is an expert in party affairs and the *Dictionary of Chinese Communist Party Affairs*, which he edited, includes a variety of entries on organization, propaganda, united front, discipline and inspection, mass work, military unit party affairs, and international affairs, with a total of over 2 million characters. Deng Xiaoping did the title for the book in calligraphy. This dictionary is still the most complete reference work on Chinese Communist Party affairs.

Sun Weiben has been in charge of work in Heilongjiang for over four years. Heilongjiang is on the northern border, important in terms of its location, but it is also a base for China's five major raw materials (a base for petroleum, coal, forests, agriculture, and production of military industries). Secretary Sun told me that when he first came to Heilongjiang he was nervous as well as cautious and conscientious. Compared with Liaoning Province, Heilongjiang's size and population were much larger, and to do such broad-scaled work, he had to consider many questions and get upper and lower echelons to cooperate and he had to listen attentively to the views of persons who were well acquainted with the circumstances.

#### **How To Take Charge of Provincial Committee Work?**

Looking back on that period, he said that when he first arrived in Heilongjiang he listened and looked more than he talked, and after preliminary investigation and getting to understand the situation and focusing on the current situation he felt that the first task was to stabilize the cadres and create a strong team at each level to guide the initiative of the cadres onto the track of reform and liberation and enriching the country and people.

#### **Giving Serious Consideration to Grassroots Level Work for Several Years**

In 1987, the fire in the Daxingan Range in May, the explosion at the Heilongjiang Yama Plant in March, and the Jiangqiao train incident in July made Sun Weiben wonder and he came to the conclusion that grassroots-level work was very important and that he must give grassroots-level work serious consideration, otherwise deployments from upper echelons would not be well grounded at lower echelons and the best plans would be pointless. In the case of the serious incident of the young worker in Shuanyashan City who broke up with his girlfriend in 1987 and planted an explosive device on a train in order to leave a name behind, that the young worker could obtain explosives and could get the explosives on the train indicated that there are a great many leaks in the system and in the implementation process. Yet, the resolution and improvement of these problems requires going to the grassroots level and establishing a foundation in depth and in detail before formulating thorough and feasible methods.

#### **Inspiring Grassroots Level Work Through the Thorough Reorganization of 1987 Had a Major Impact on Subsequent Work in 1988 and 1989**

Sun Weiben said that, during the period when Hu Yaobang and Zhao Ziyang were general secretaries, many Chinese Communist grassroots-level organizations were actually weakened. In northeast colloquial terms, some branches "could not be picked up whole" (meaning they were already smashed and could not be put together).

After serious consideration was given to grassroots-level work, the grounding and development of the work had a

major impact on social stability and, from that time on, work assigned by upper echelons could be thoroughly implemented at the grassroots level.

Beginning in 1989, Heilongjiang gradually made arrangements for putting things in order and reorganization work.

#### **Looking at Heilongjiang's Economic Problems Straight On and Suing the Remedy to the Case**

Sun Weiben has said that Heilongjiang's one outstanding problem is that the heavy is too heavy and the light is too light. That is, heavy industry is all large-scaled and the light industry base is very backward, technology is crude, and waste is high. At the same time, people's thoughts are insufficiently liberated; many nonproblems of the coastal provinces had become problems in Heilongjiang, thus discouraging people from acting decisively and thereby seriously hindering economic development.

Sun Weiben revealed that 70 percent of Heilongjiang's articles for daily use are shipped from Tianjin and Shanghai. Although the state cannot invest large quantities of capital and technology to support Heilongjiang, in order to resolve Heilongjiang's problem of "the heavy is too heavy, and the light is too light" Heilongjiang's industrial structure should be readjusted to rely on the wisdom, hard work, and opening reform of all the people of the province. Heilongjiang currently has facilities with a gross value of 110 billion (renminbi) in fixed assets, of which five percent to 30 percent are idle, and much of the personnel and technological forces are also idle. It is necessary to readjust productive elements, carry out sensible movement, and, as to those enterprises that do not meet the needs of the market, those that are bankrupt should be bankrupt and those that are in a favorable position should be annexed.

Summarizing Heilongjiang's situation, the direction for the next few years, generally speaking, is "one related move and four combined moves" [yi ge qian dong, si ge lian dong (0001 4612 3677 0520 0934 4612 5114 0520)].

The one related move is making a move in the electric power industry which would affect the overall economic construction of the entire province, especially industry overall. Heilongjiang should think of ways to increase electric power output. If the issue of electric power can be resolved, enterprises can go into full operation, and the gross value of Heilongjiang's production could increase as much as about 25 percent. Using electric power from neighboring Soviet regions could be one method for the future.

The four combined moves are the four major industries of urban and rural economic development:

1. The petrochemical industry: Vigorously develop the petrochemical industry, supported by Daqing, and in this way increase the province's economic power and open broader prospects for local light industry and agriculture.

2. The food and textile industries: Vigorously develop the textile industry in linen, woollens, and synthetic fibers and the food industry in milk products, sugars, and high protein foods to form a vertical production system from "planting, to raising, to processing"; and, led by famous and quality products and mainstay industries, form a highly competitive enterprise group and industrial bloc. Change from the past situation of shipping Heilongjiang's abundant agricultural products as raw materials to a new systems of shipping out processed and manufactured goods and occupy more space in the international and national markets.

3. The machinery industry: Have the machinery industry, which is reformed and armed with advanced technology, take the path of machinery, electronics, and instruments, place the development focus on accelerating technological reform, improving product quality, and developing new products; and place the growth focus on developing exports to create foreign exchange and provincewide industrial and agricultural industry armed with advanced technological facilities.

4. The construction and construction materials industry: Reform in-depth the construction industry to improve the quality of engineering and enterprise reputation and gain a firm foothold in the domestic and foreign labor markets; fully utilize the province's favorable resource conditions to vigorously develop various types of construction materials.

#### **Does Not Avoid Difficulties, Explores Turns for the Better**

For the past year or so, relying on grassroots-level work and "383 projects," Heilongjiang has stabilized society and popular feeling so that the Beijing tempest of April through June 1989 did not have a major impact on Heilongjiang. However, Heilongjiang has not lowered its guard. Sun Weiben said that, after the Central Committee Work Conference and the Fifth Plenary Session, starting in November 1989, Heilongjiang called meetings of the enlarged Standing Committee of the party committee and several specialized meetings and presented several issues that everyone should consider:

1. Issues cadres understand: Difficulties facing the state at present should be conscientiously recognized and adequately appraised. This includes, first, that overall demand still exceeds overall supply and further reduction is imperative; second, that imbalance in industrial structure has not been resolved; third, that enterprise production costs are high, but economic benefits are not.

Appraising the elements of these difficulties in a seeking-truth-from-facts manner and conscientiously analyzing the conditions favorable for overcoming these difficulties is the way for Heilongjiang to explore opportunities to turn for the better, to explore potential, and derive hope from them. To this end, Sun Weiben and the provincial government have not avoided difficulties, but have realistically presented these difficulties for resolution.

2. In the period of putting things in order and readjusting, Heilongjiang's economic development strategy is to uphold the one principle, four getting back on tracks, and one "strict control." The one principle is the principle of upholding dual shortages of finances and credit, striving to find salvation in the shortages and realizing an appropriate level of economic growth. The four getting back on tracks are to truly shift economic work onto the track of agriculture, striving to move agriculture up to a new stage; onto the track of improving economic benefits and stressing, in particular, discovering potential and increasing effectiveness of large and medium-sized enterprises; onto the track of relying on technological progress to start up structural readjustment; and onto the track of combining planned economy and market regulation, and resolutely carrying out reform in depth and expanding openness. At the same time, we should also continue to control prices strictly and further improve "383 projects." Sun Weiben feels that the 383 projects also have inadequacies and if things continue, the province's finances will not be able to support them. Thus we should uphold the focus on stability and ensure that the prices of daily necessities for people's lives are stable; and with this precondition, comprehensively control, combine control and adjustment, and manage strictly.

#### **Daily Energies Devoted to Resolving Difficult Problems**

3. Improve building of leadership teams at all levels. Courageously employ people who have both political ability and talent, can master the situation, are resourceful and decisive, and are capable of the work. Yet, in mastering such a complex situation as the present, there is the problem of relying on an individual or an organization with inadequate experience or inadequate knowledge. Thus, democracy should be stimulated even more, giving serious consideration to views from the grassroots in particular, and taking crooked paths more rarely and avoiding errors. The entire province's policymaking principle is to uphold the socialist orientation. The party committee's primary energies should daily be directed toward resolving difficult problems and determining what the primary problems are and where they are, how economic work should break new paths, and so forth, and it should devote its energies to these problems. At the same time, party organizations should develop their central role, demanding that the entire party membership expand the range of their roles and build leadership teams at all levels centering on the plant manager in enterprise production.

In the 10 years of reform and relaxation the gross value of production of all of Heilongjiang's society has redoubled, the new increase in national income is the total of the past 30 years, newly increased fixed assets are nearly three times the total of the past 30 years, investment in energy sources is 80 percent greater than the total investment of the past 30 years, and the issues of shelter and clothing for the people has been basically resolved. The current issues in Heilongjiang today are how to utilize the material conditions that did not exist in the past to



further open up and reform and overcome problems in development, and to uphold the development of social stability.

### **Liaoning Groups Affirm CPC Document on Multiparty System**

#### **KMT Revolutionary Committee Comments**

90DON0458A Shenyang LIAONING RIBAO in Chinese  
14 Feb 90 p 2

[Article by Liu Mingjiu (0491 7686 0046), honorary chairman and member of the KMT Revolutionary Committee: "To Take Part in a Political Party One Must Strengthen One's Self-Building"]

[Text] The "Suggestions by the CPC Central Committee for Upholding and Perfecting the System of Multiparty Cooperation and Political Consultation Led by the CPC" fully embodies the spirit of "long-term coexistence, mutual supervision, utter devotion, and sharing of honor and disgrace." It deeply inspires me.

The document both sums up the successful experiences in the party and further puts forward specific policies and measures for perfecting the system. It is the first comprehensive, systematic document of a guiding nature concerning the multiparty cooperation and political consultation system led by the CPC since the founding of the PRC. With regard to consolidating and expanding the patriotic united front, it displays socialist democracy and promotes the great unity of the people of all nationalities in China. With regard to upholding the CPC's leadership, it gives further play to the positive role of democratic parties and groups in the country's political life. It is of major significance.

The multiparty cooperation and political consultation system led by the CPC was formed and developed in the course of China's long-term revolution and construction. Accepting the CPC's leadership and taking the socialist road is a correct policy decision unanimously made by all democratic parties and groups, including the KMT [Kuomintang] Revolutionary Committee, in struggle and practice. Establishing a multiparty cooperation and political consultation system led by the Communist Party creatively integrated Marxism with the reality of China's revolution and construction. The system's foundation is firm, and its vistas are vast. Following the thorough implementation of the document, the superiority and the utility of this system will be displayed even more. We have firm confidence in this system. We are definitely not influenced by the multiparty system of Western countries. At the same time, we must resolutely oppose and resolutely wage uncompromising struggle against words and deeds that, in the name of the "reform of the political system," try to make China practice the capitalist system.

For our democratic parties and groups to be political parties, they must first of all accept the Communist Party's political leadership, that is, its leadership in

political principles, political direction, and major principles and policies. This is the fundamental guarantee that the democratic parties and groups will be able to maintain the correct political direction. At the same time, taking part in the state regime means taking part in the consolidation of the state's major political policies, taking part in the management of state affairs, taking part in the formulation of the state's principles and policies, laws and regulations; and performing a supervisory function. In upholding the four basic principles, they will be both the Communist Party's comrades-in-arms and its friends who will give forthright admonition, saying all they know and saying it without reserve.

A party that participates in government and political affairs is not an opposition party, and even less is it a party out of office. Its relationship with the party in power is that it is in the same boat, it takes the same road, it stands together through thick and thin, and it shares weal and woe. It must play its proper role in building socialism with distinctive Chinese features, in uniting the motherland, and in forwarding the common cause of making China flourish.

In the document the CPC Central Committee supports the strengthening of the self-building of the democratic parties and groups. At the Spring Festival symposium held by the provincial party committee's United Front Work Department, Comrade Quan Shuren (0356 2885 0088) earnestly raised this question, and this showed solicitude for us and spurred us on. Our KMT Revolutionary Committee should understand the strengthening of self-building from the height of upholding the multiparty cooperation and political consultation system led by the Communist Party, and earnestly grasp it tightly and grasp it well.

#### **China Democratic League Reacts**

90DON0458B Shenyang LIAONING RIBAO in Chinese  
14 Feb 90 p 2

[Article by Gao Qingzhou (7559 2348 3166), chairman and member of the provincial China Democratic League: "Unify Thinking and Better Participate in and Discuss Government and Political Affairs"]

[Text] "Suggestions by the CPC Central Committee for Upholding and Perfecting the System of Multiparty Cooperation and Political Consultation Led by the CPC" are an incisive summation of the history of all democratic parties and groups in China accepting the Communist Party's leadership, closely uniting with it for a long time and fighting shoulder to shoulder with it; and are the common action criteria for the cooperation and working together of all political parties in China.

My understanding is that there are three important meanings in this important document. First of all, it clearly points out that the multiparty cooperation and political consultation system led by the Communist Party is an important part of the reform of the political

system. It lays down a series of principles and stipulations and puts forward clear measures on how to uphold and perfect this system. It is a new development in integrating the political and ideological theories of Marxism with their concrete practice in China; it is a new development of the theoretical policies of the CPC's united front; and it is a major step in regularizing, institutionalizing, and standardizing the multiparty cooperation led by the Communist Party. It will certainly promote the reform of the political system, and it makes an important contribution to building socialist democratic politics with distinctive Chinese features.

Next, the CPC is the leadership core of the socialist cause and is the party in power. The democratic parties and groups are close, friendly parties that accept the Communist Party's leadership, make concerted effort to cooperate with it, and in common with it are dedicated to the socialist cause; and are parties that participate in government and political affairs. The document endows all democratic parties and groups with a clear ideological guide and an enormous spiritual strength. From it we become more clear about the historical position of the democratic parties and groups and the major political responsibility they bear, so that the work of the democratic parties and groups has a basis to rely on and rules they can follow. It will certainly further enhance and encourage the enthusiasm of the members of the democratic parties and groups for participating in and discussing government and political parties, so that we will, with full enthusiasm, throw ourselves into all sorts of activities that participate and discuss government and political affairs. At the same time it will vigorously impel the democratic parties and groups to enhance their self-building, to work hard to use the spirit of the document to unify their thinking, and to advance more resolutely in giant strides on the broad road of the multiparty cooperation and political consultation system led by the CPC, and make greater contributions to the motherland's socialist cause.

Finally, at the important moment now in the changeable international situation, the document clearly points out that China must take its own path, formulate a socialist political party system with distinctive Chinese features, and fundamentally differentiate China's political party system from the Western countries' multiparty and two-party systems. This will deliver a powerful counterblow to those international hostile forces who hope in vain to effect a peaceful evolution in China and make it practice Western-style political pluralization.

The members of our democratic parties and groups must conscientiously study and thoroughly discuss this important document, and under its guidance vigorously participate in and discuss government and political affairs. Becoming political parties in this respect, in order to promote socialist democratic political construction, is an unshirkable historic responsibility of our democratic parties and groups.

### Democracy Promotion Association Responds

900N0458C Shenyang LIAONING RIBAO in Chinese  
14 Feb 90 p 2

[Article by staff reporters Liu Guoyu (0491 0948 3768) and Han Nailiang (7281 0053 5328): "A Serious Choice for History and People—Talk by Comrade Niu Pingfu, Chairman and Member of the Provincial Branch of the China Association for Promoting Democracy"]

[Text] After the important document "Suggestions by the CPC Central Committee for Upholding and Perfecting the System of Multiparty Cooperation and Political Consultation Led by the CPC" was published, in the guestroom of Liaoning House, we reporters interviewed Comrade Niu Pingfu [3662 1627 3940], chairman and member of the provincial branch of the China Association for Promoting Democracy, who is attending the third session of the sixth Liaoning Provincial Committee of the China Association for Promoting Democracy.

### A Major Event of Historic Significance

Silver-haired Old Niu, 75 years old this year, is a close friend of the Communist Party, and a friend who will give forthright admonition to it. He has cooperated with it for a little over 40 years. This honest and tolerant elder, who is a person of virtue and prestige, is quick thinking, a good talker, and a man of good insight.

Old Niu said the publication of the "Suggestions by the CPC Central Committee for Upholding and Perfecting the System of Multiparty Cooperation and Political Consultation Led by the CPC" was a major event of historic significance for the building of democratic politics and the reform of the political system. It establishes a new-type socialist political party system, and it will have far-reaching effects. It profoundly, comprehensively, and systematically clarifies the relationship between the CPC and the democratic parties and groups, and also puts forward the criteria for the common activities of the two sides and the content of their specific activities. It is a "charter" for the relationship between the CPC and the democratic parties and groups. It makes clear the relationship between the CPC and the democratic parties and groups. And, it makes clear the leading position of the party in power and the nature, position, duties, and role of the democratic parties and groups. It is of programmatic and standardized significance. The document also fully shows the high degree of confidence, the kind attention, and the vigorous support of the CPC for the democratic parties and groups. It fully affirms and respects the past role of the democratic parties and groups, and puts great expectations on them. Without a doubt, the publication of the document will play in China and abroad an enormous role, which is hard to estimate, in perfecting China's socialist political system and promoting the reform of its political system, in displaying socialist democracy, in raising the position of the democratic parties and groups, in spurring the strengthening of self-building by the democratic parties

and groups, in enhancing the capability for participating in and discussing government and political affairs, in displaying the role of the democratic parties and groups, and in fulfilling the general tasks of the party and the state.

#### **A Serious Choice for History and People**

A reporter asked, "The core of the multiparty cooperation and political consultation system led by the CPC is the CPC's leadership. How do you understand this point?" After a little thought, Old Niu said that the core, the basis, and the spirit of the multiparty cooperation and political consultation system led by the CPC are the CPC's leadership. The CPC's guiding ideology is Marxism-Leninism, and the party is good at mastering the laws of historical development. The CPC unswervingly serves the people, does not hesitate to make bloody sacrifices, and has abundant experience in revolutionary struggle not possessed by any other political party or group. Without the CPC's leadership the building of socialism with distinctive Chinese features is impossible; without the CPC's leadership the democratic parties and groups will get nowhere, and even be abandoned by history. The CPC's leadership was not something that it itself proclaimed, but was the serious policy decision made by history and the people. The acceptance by the democratic parties and groups of the Communist Party's leadership was definitely not forced on them, but was a decision, after theoretical analysis, made by the democratic parties and groups voluntarily, consciously, seriously, conscientiously, and responsibly. Our China Association for Promoting Democracy in the past did, and in the future will, accept the CPC's leadership clearly, wholeheartedly, and unswervingly from ideology to practice. Speaking from the CPC's side, it must constantly enhance and improve this leadership, so that our basic political system and political party system are put on a solid footing in the country's political life.

#### **The Relationship Between Cooperation, Supervision, and Consolidation Must Be Handled Well**

A reporter asked: "Viewed from your many years of experience, in cooperation, consultation, and supervision, what are some of the things to which attention needs to be paid?" Old Niu rather methodically replied that cooperation requires supervision, and the purpose of supervision is to effect better cooperation. If there is no mutual supervision, but rather "cooperation" in which each side restricts the other, the result is bound to

be that in reality each goes his own way, and even falls into a state of anarchy. To stress only supervision and not put great emphasis on cooperation is a one-sided understanding and distortion of the relationship between the Communist Party and the democratic parties and groups. Consultation is an indispensable coordinated process and important link in the activities of cooperation and supervision. The cooperation and mutual supervision of the Communist Party and the democratic parties and groups are reflected mainly through consultation. Therefore, high-level, really effective consultation has a major effect on the quality of the cooperation and the supervision of the Communist Party and the democratic parties and groups. The democratic parties and groups certainly must take the initiative in participating in consultative activities and say all they know. Of the three things—cooperation, supervision, and consultation—cooperation is fundamental, and the others should be centered on cooperation. Therefore, no matter whether speaking of the CPC or the democratic parties and groups, we must further establish a high degree of "consciousness of friends" and "consciousness of cooperation." A democratic party or group is the close comrade-in-arms of the Communist Party, is a friendly party, and is a party that participates in government and political affairs; it is not an adversary, it not an antagonist, and even less is it an opposition party. The Communist Party and the democratic parties and groups have identical political ideals, political goals, and political aspirations. This identical nature has meant the establishment of a new-type political party relationship under the guidance of the four basic principles, and the formation of a political party system and a political system in which there is mutual supervision, mutual promotion, full cooperation, and a standing together through thick and thin. The foundation is firm, and the relationship is close. In the past they withstood many stormy trials, and in the future they will continue to withstand any stormy trial. Our first duty is to help the Communist Party to implement its line, principles, and policies, and to spur on the satisfactory completion of the general task. Supervision definitely must not become an antithetical struggle. It can only be the honest admonition and advice between bosom friends and intimate friends to help people in the same boat. To better exercise supervision, the democratic parties and groups first of all must be strict with themselves, preserve their purity, correct themselves before correcting others, and display the good influence that they themselves can display.



### Origin of 'Taiwan Independence' Movement Analyzed

90P30006A Beijing BAN YUE TAN [SEMIMONTHLY TALKS] in Chinese No 5, 10 Mar 90 pp 48-49

[Article by Fan Liqing (5400 7787 7230): "What Has Stirred the Flames of 'Taiwan Independence' in Taiwan?"]

[Text] In December last year, Taiwan held elections for "supplementary members of the Legislative Yuan," "county and city mayors," and "provincial, and municipal assemblymen." "Taiwan Independence" organizations both within and outside Taiwan joined forces and took advantage of this opportunity to make trouble. They sponsored 32 candidates in a so-called "new national united front," and openly trotted out a "Constitution of the Republic of Taiwan." They seized the opportunity provided by the election to wantonly spread the absurd "Taiwan Independence" theory and inflamed the island with talk of "Taiwan Independence." In the end, 20 members of this band of people were elected as "Legislative Yuan members" and "provincial, and municipal assemblymen."

This outcome has caused many of Taiwan's perspicacious individuals to worry. Many have pointed out that the election process and outcome demonstrate that "Taiwan Independence" elements on the island have gradually become a force to be reckoned with. They have moved from the underground into the open and have gradually become legal after being illegal. "Taiwan Independence" activities have changed from being just talk to the stage of being actively carried out as a "plan for a new country." With this election, "Taiwan Independence" elements have entered organs of political discussion and will surely increase the "Taiwan Independence" voice in Taiwan's political circles and intensify the debate between "reunification" and "independence," thereby further complicating Taiwan's political reform and the problem of its future, as well as creating a new obstacle to its reunification with China. These developments cannot be separated from the lenient rhetoric and actions of the Taiwan authorities toward "Taiwan Independence" in recent years.

The "Taiwan Independence" trend of thought has its origin in historical, international, and Taiwan's domestic political factors. During the 50 years that Taiwan compatriots were under the colonial rule of the Japanese, they constantly yearned to return as soon as possible to the embrace of the motherland. After Taiwan was recovered, however, the rampant corruption of high-level Kuomintang officials incited the people of Taiwan to revolt in the 28 September 1947 uprising in which many innocent people were tragically slaughtered. After Chiang Kai-shek fled to Taiwan, he carried out many repressive "anti-communist" and "bandit spies" purges. These actions left very deep scars in the minds of the people of Taiwan. The Kuomintang have used the excuse of "counterattacking the mainland" to impose

martial law for 38 years, stifle political participation by the Taiwanese, and suppress the people's demands for political democracy. The Kuomintang has furthermore carried out for a long time propaganda that is extremely anti-communist and preaches fear of communists. Beginning in the early 1960s, the people of Taiwan started to struggle for democracy. After democratic movements such as the "Zhongchang [sic—probably a misprint of Zhongli] Incident" and the "Gaoxiong Incident" were suppressed by the authorities, the situation became more complicated and a local Taiwanese consciousness centering around opposition to the political power from the mainland began to emerge. Some political opponents forced into exile established various organizations such as the "Taiwan Revolutionary Party" and the "Taiwan Independence Alliance" in the United States, Japan, and other places, with the encouragement of some overseas forces. With this development, the Taiwan democratic movement became another complicating element.

The "Taiwan Independence" movement received the support of the United States and Japan. After the United States "severed relations" with the Taiwan authorities, it concocted the "Taiwan Relations Act" which in reality made Taiwan an "independent political entity." Although the United States, out of consideration for its strategic interests, did not openly declare its support for "Taiwan Independence," it nevertheless carried out in reality a policy of "one China, one Taiwan." Some U.S. congressmen have frequently and openly made statements supporting "Taiwan Independence," and have thus become political patrons of "Taiwan Independence" elements.

The developments in the "Taiwan Independence" movement of recent years cannot be separated from the changes in Taiwan's political system or the current policies of the Taiwan authorities. After Taiwan authorities lifted martial law in 1987 and allowed the formation of political parties, domestic control was eased somewhat and overseas "Taiwan Independence" groups took advantage of the situation to readjust their strategies to infiltrate the island. After Jiang Jingguo died and Li Denghui became "president" as well as chairman of the Kuomintang, Taiwan realized a breakthrough in the "localization" of its politics, a development that heartened "Taiwan Independence" elements both in Taiwan and abroad. Li Denghui even changed his previous practice of "stern attack" and adopted relatively lenient policies of "co-opting rather than attacking" and "coordination and communication." He permitted overseas "Taiwan Independence" elements who renounced the use of violence to return to Taiwan to visit their relatives and even to live. Since 1988, many overseas "Taiwan Independence" organizations such as the "Federation of Taiwan Fellow Provincials in the World" have held their annual meetings in Taiwan and have all received the approval of the Taiwan authorities. During the recent three elections, the extent of the Taiwan authorities' response to the arrogant activities of the "Taiwan Independence" groups was to merely issue verbal rebukes.

In reality, the practices of the Taiwan authorities run counter to the unification of the motherland and encourage the arrogance of "Taiwan Independence" groups. In seeking international status as an "independent political entity," the Taiwan authorities have wantonly promoted such "one China, one Taiwan" policies as "substantive diplomacy" and "dual recognition." These practices and those that "Taiwan Independence" elements advocate can be described as "the kettle calling the pot black." The Taiwan authorities have proved themselves weak and ineffective in countering "Taiwan Independence" activities. At the same time, "Taiwan Independence" elements have changed their previous "violent" and "revolutionary" line and replaced it with slogans such as "winning the people's hearts by peaceful means" and "opposing the dictatorship of the Kuomintang." They have also joined forces with the Democratic Progressive Party, the domestic opposition party, in an attempt to travel the "Taiwan Independence" road by means of "democratic self-determination." As a result, many among Taiwan's public are confused about the goals of the democratic movement and this has made the Taiwan authorities reluctant to attack the "Taiwan Independence" movement for fear of offending the public. Wise people have pointed out that the Taiwan authorities are playing the trick of "using Taiwan Independence to fight the Chinese communists and using the Chinese communists to suppress Taiwan Independence" in order to maintain their control over Taiwan.

Looking back at the decade of the eighties, there have been major breakthroughs toward the peaceful reunification of the motherland and exchange between the two shores. Nevertheless, the "Taiwan Independence" trend of thought, which must not be ignored, has been growing and spreading in Taiwan. Looking ahead toward the new period, Taiwan authorities declare that they will persist in the rigid "anti-communist" "Three Nos policy." Even if "democratization" and "localization" were to further develop in Taiwan, the "Taiwan Independence" trend of thought and power could in the future grow correspondingly greater, increasing the complexity and difficulty of the task of reunifying the motherland.

We must also realize, however, that the vast majority of the Chinese people in Taiwan and overseas support reunification and oppose "Taiwan Independence." The Taiwan authorities have liberalized their policy toward exchange between the two sides in recent years precisely because of the pressure from the people of Taiwan who desire this. In the future, this trend of "the people pushing the government" will continue to grow and serve to transform indirect exchange between the two sides to direct exchange and unilateral moves to bilateral moves. It will enhance mutual understanding and contact between the people of the two sides, halt the "Taiwan Independence" trend of thought, and speed up the major task of the reunification of the motherland.

### Political Groups Maneuver for Presidential Election

90ON0364A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 3, 15 Jan 90 pp 24-25

[Article by Wang Jingwu (3769 2529 5294): "Taiwan Authorities' 'Presidential' Election Struggle"]

[Text] The setbacks that the KMT [Kuomintang] encountered in the three elections for "public office" held on 2 December 1989 provoked a violent reaction within the party and created a greater clash over the "presidential" election to be held in March 1990. The "anti-Li" (Li Teng-hui) forces within the KMT are utilizing the election defeat to launch a move to boycott Li Teng-hui's election as "president." The additional KMT "national assemblymen," "legislative members," and the DPP [Democratic Progressive Party] have put forward their own ideas from different perspectives, forcing the KMT authorities to adopt a series of reactive measures for Li Teng-hui to remain in office. Because the "presidential" election is related to changes in the power structure of Taiwan's upper echelon and the political direction, it has become the focus of attention both at home and abroad.

### Boycotting the "Presidential" Election

The primary manifestations of the boycott of the "presidential" election provoked by the setbacks the KMT suffered in the three elections are:

—Some senior anti-Li, pro-Chiang (Chiang Wei-kuo [1412 4885 0948]) "national assemblymen" link the KMT's setbacks in the election to Li Teng-hui and are vigorously trying to prevent Li Teng-hui from remaining in office.

1. Public demands for Li Teng-hui to step down. After the vote in the three elections was made known, some anti-Li, pro-Chiang (Chiang Wei-kuo) senior "national assemblymen" immediately proposed investigating responsibility for the election defeat and blamed the election setback on Li Teng-hui's deficient ability to govern and publicly called for Li Teng-hui to step down. Teng Chieh [3326 0267], the leading senior anti-Li, pro-Chiang "national assemblyman" announced that the time had come for all national assemblymen to rally together; on 4 December, some anti-Li, pro-Chiang "national assemblymen" held a secret meeting to discuss plans to topple Li; on 5 December, at a "National Assembly Joint Conference" convened by committee members and group leaders of the "National Assembly Party Headquarters", many senior representatives including Liu Ying-shih [0491 2019 2514], Tsui Jong [1508 1369], and Liu Jui-chang [0491 3843 4545] presented a provisional proposal demanding that Li Teng-hui step down and obtained the tacit approval of 74 persons, over half of the representatives at the meeting. The proposal criticized Li Teng-hui for the fact that in the past two years of his governance his public authority

has not been evident and he has lost public confidence, which will make people worry about themselves, and called for "national assemblymen" to cautiously elect a person of extraordinary talent in matters both civil and military to support the leadership center in order to put governmental affairs in order.

2. The demand to revise the "Temporary Provision" and weaken and limit "presidential" jurisdiction. The day after the three elections for "public office" concluded, some senior "national assemblymen" established a "Constitution Study Society" to study revision of the "Temporary Provision" and discussed a "Temporary Provision" revision proposal which proposed deleting some "presidential" authorizations. Some representatives in the "National Assembly" who have close relationships with senior "national assemblyman" Teng Chieh issued a document which call for a meeting on an annual basis to exercise the right to recall the president and vice president at any time.

3. Some senior "national assemblymen" declared that they would collectively resign to stop the election of the "president." The defeat of the KMT in county and municipal elections caused violent dissatisfaction among the KMT young faction, which blames the senior "national assemblymen" for losing the election and which is resentful, grumbling about the slowness with which senior "national assemblymen" and "legislature members" are retiring. This provoked a violent counter-attack among some senior "national assemblymen." They declared that they will launch a collective resignation of three hundred "national assemblymen" to stop the election of a "president."

4. Intensified activity to promote the election of Chiang Wei-kuo as the next "president" or "vice-president." According to the Taiwan press, a few "national assemblymen" who are part of the military system have decided to establish a "Society to Promote the Unity of the Republic of China" to bring together the forces within the "National Assembly" that support Chiang Wei-kuo; some senior "national assemblymen" are also deliberating urging the KMT Central Advisory Committee members to choose Chiang Wei-kuo as a candidate for the next "president." They feel that even if pressure from the Central Advisory Committee on the KMT Central Committee cannot put Chiang Wei-kuo on the "presidential throne" at least they can hope to put Chiang Wei-kuo in the "vice-presidential" office.

—Chao Shao-kang [6392 1421 1660] and other additional "legislature members" propose a "primary election within the party" for "president" and "vice president." While some anti-Li, pro-Chiang "national assemblymen" have taken advantage of the opportunity to raise an anti-Li clamor, some KMT additional "legislative members" have presented demands from another perspective so that the "presidential" election has become even more puzzling. Chao Shao-kang and

the other young faction additional "legislature members" formed a "New KMT united front" to participate in this election. Before this "public office" election, they suggested that the "vice president" be elected by a general election among all party members. After the setbacks suffered by the KMT in the election, Chao Shao-kang and the others believed that the reason the KMT lost was because the reform measures did not satisfy people's expectations and thus democratization measures should be stepped up, and the "president" should also be part of the primary election within the party. They pointed out that selecting the "presidential" candidate cannot be a one-man show, but that there should be at least two people or more participating in the competition. Once this proposal came out, it immediately caused a major reaction in the "National Assembly". Wung Chun-cheng [5040 4783 2973] and others among the additional "national assemblymen" in the "Chung-hsing Society" [0022 5281 2585] also felt that to accelerate democratic reform, "presidential" and "vice-presidential" candidates should be chosen as teams by a primary election among party members and they are now obtaining joint signatures to present it to the KMT Central Committee.

—"Legislature members" who belong to the DPP or do not have party affiliations will urge direct election of the "president."

1. After the DPP was victorious in the three elections for "public office," it took advantage of the situation to fix the "presidential" elections as the target of its next struggle. The DPP "National Assembly" party group has resolved to make "popular election of the president" a subject of resistance [?]. It declared that, in accordance with the principle of open competition among political parties, it was putting forth candidates for "president" and "vice president" to compete with the KMT candidates. In addition, it mobilized the masses to set off an "if it's everybody's president, everybody should get to vote" movement, advocating "direct popular election of the president" in opposition to the KMT authorities. Chu Kao-cheng [2612 7559 2973] and other additional DPP "legislature members" also raised the issue of the "lawful" and "representative" nature of the "national assemblymen," proposing that an "electoral group" elected by the masses cast ballots to elect the "president" to resolve the issue of the lawful nature of the "presidential" election.

The DPP's advocacy of "popular election of the president" has been echoed by some additional "national assemblymen" and "legislature members." Additional "legislature member" Lin Yu-hsiang [2651 6877 4382] pointed out that, in accordance with the third article of the "Temporary Provision," the "dissolution of the National Assembly" should be announced, thus saving a sizable part of the budget and have the "Parliament" revise the "Constitution" without having to be limited by the "National Assembly"; additional "legislature member" Hung Chao-nan [3163 2507 0589] announced



that South Korea's 50 million people could elect the president by popular vote, so since Taiwan has only 20 million people it should be even more feasible and proposed that the Constitution be amended immediately.

2. Newly elected "legislature members" with no party affiliation drafted a revised "presidential, vice-presidential election law" in which "the president is elected directly by the people." On 4 December 1989 at a "victory meeting" in Kao-hsiung, a group of newly elected "legislature members" with no party affiliation proposed that during the next session of the "Legislative Yuan" in February 1990 they focus on the relevant "presidential" election provisions in the "Constitution" and propose revising the "presidential, vice-presidential election law" to make the "presidential" election be by direct popular vote of the citizens of the Republic of China in Taiwan, Penghu, Chinmen, and Matsu.

#### Responses To Protect and Steer the "Presidential" Election

The boycott of the "presidential" election adds some complications to carrying out the "presidential" election and also causes the KMT authorities to face new perplexities. Since Taiwan's "president" and "vice president" are elected by ballot of the "National Assembly", the recent trend of some senior "national assemblymen" to attack the "presidential" election is the greatest [of these complications]. The KMT authorities are adopting a series of responses to diminish the unfavorable impact of the defeat in the election of county and municipal leaders on the "presidential" election and ease the contradictions caused by this, so that the "presidential" elections can go on smoothly.

On 2 December 1989, at the first meeting of the Standing Committee of the KMT Central Committee held after the general election, many Standing Committee members on the one hand examined the supplemental election work of political parties in the election setback and, on the other hand, called for internal party unity and strengthening of the leadership center to respond to the challenges of future difficulties. To avoid fixing blame for the defeat in the general election when the Third Plenary Session of the KMT Central Committee is convened and thus causing divisions within the party and damaging Li Teng-hui's prestige, on 20 December 1989 the Standing Committee of the KMT Central Committee decided to change the Third Plenary Session of the KMT Central Committee which was originally planned for 11 February 1990 to a Provisional Plenary Session of the Central Committee and that the subject of the meeting would be only to determine the candidates for the eighth "president" and "vice president."

2. Revision of the "Temporary Provision" may be set aside for the time being. To avoid some senior "national assemblymen" revising the "Temporary Provision" and tangling up the "presidential" elections, the "National Assembly" party section is engineering a change in the

agenda so that when the presidium of the eighth session of the National Assembly is setting the agenda for the plenary session it will be changed from the previous agenda to first revise the "Temporary Provision" and then elect the "president," so that the eighth session of the "National Assembly" convened in February 1990 may only elect the "president" and "vice president" but not revise the "Temporary Provision," but "when necessary" call another temporary meeting of the Standing Committee of the Central Committee to carry out the revision.

3. Accelerate innovation of party affairs. On 6 December 1989, at the Standing Committee of the KMT Central Committee, Li Teng-hui decreed that a group to promote innovation in party affairs be established in an attempt to secure support within the party, especially among "innovation" forces.

4. To mobilize comprehensively for "presidential" supplemental election. To win over and break up "anti-Li" senior "national assemblymen," KMT authorities decided to strengthen supplemental election activities, forming over 20 supplemental election groups made up of party, government, Army, youth, and women's units, and, on the basis of the different backgrounds, charged them with responsibility for contact work with "national assemblymen." They adopted the method of watching them carefully to spur them on and repeatedly wanted them to obey the decisions of the Central Committee Party Headquarters to prevent their source of votes from slipping away. Kuan Chung [7070 0022], chairman of KMT's Department of Organization Affairs recently entertained a number of "national assemblymen" in succession to campaign for Li Teng-hui.

5. A momentum has been created for Li Teng-hui to remain in office. While some senior "national assemblymen" have intensified pro-Chiang, anti-Li activity, the pro-Li "national assemblymen" have also increased their activity. On 14 December 1989, Weng Chun-cheng and 46 other "national assemblymen" of all ages joined in support of Li Teng-hui's campaign to remain in office and will send a joint letter to the KMT Central Committee party section for use in making nominations. Some "legislature members" of all ages also on the basis of the resolution of the "legislature members" party headquarters have launched a joint movement to support Li Teng-hui's campaign to remain in office. Recently, such social organizations as the Farmers' Association, Workers' Association, and Medical Society, which are used by the KMT, and Overseas Chinese groups in such places as Hong Kong and the United States have declared that Li Teng-hui's prestige is "flourishing more daily" and that there is no other candidate to succeed to the "presidency." Their momentum has substantially overcome the anti-Li clamor roused by some such as some senior "national assemblymen."

Currently, Taiwan's "presidential" election has entered the final stages and the conflict between the pro-Li and anti-Li forces within the KMT has become apparent.

The KMT defeat in the general election has created a high degree of conflict in the "presidential" election and thus Li Teng-hui's "prestige" has also declined. However, in the light of the current situation, the trend of the KMT authorities to settle on Li Teng-hui as the sole candidate in the "presidential" election in order to stabilize the situation has become basically clear, and the pro-Li forces are greater than the anti-Li forces within the KMT. Thus, the election defeat may cause the vote for Li Teng-hui to decline, but not enough to affect his election. However, both open strife and veiled struggle will continue to be violent and the people are waiting to see the result of the "National Assembly" voting.

### **Worsening Social Order Blamed on Government Policy**

900N0356A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 5, 29 Jan 90 p 23

[Article by Tseng Wei (2582 0251)]

[Text] On New Year's Day the Taiwan newspaper LIEN HO PAO printed a special report on the trend of rich families in Taiwan to "migrate like a swarm of bees." This article said that in 1989 there were more than 10,000 families who applied for relocation in the cities of Taipei, Kaohsiung, Tainan, and Taichung, a 300-percent increase over 1987. Seventy percent of these families applied for relocation because their life and property were in danger. Taizhong City has the most families applying for relocation; more than 50 percent of these families were threatened with blackmail or kidnapping. CHUNG YANG JIH PAO published an article the same day sighing that "yesterday is not to keep, and today is full of worries," and said that "there has never been such disorder and insecurity in China's thousands of years of history."

Every day Taiwan newspapers are full of these kinds of news and reports, explaining that the deterioration of Taiwan's social order and public safety has come to such a degree that one will turn pale at the mere mention of the subject. According to Taiwan newspapers, rape, kidnapping, and robbery happen daily. In the last 580 days, there have been more than 8,000 crimes, more than 10 cases every day on average. The victims of these crimes are not only average citizens, but also high-ranking officials and financial tycoons. On this situation, the Taiwan "Executive Yuan" president Li Huan acknowledged that "the situation has reached the stage that no one is immune."

The deterioration of Taiwan's social order and public safety is an undeniable fact. But what is the reason for such deterioration?

In Taiwan, money is the sole concern of political parties, government and military employees, people in other occupations, and all generations. Wen Chung-yi [2429 1504 0001] of the Taiwan Academic Sinica stated in one article that "after 40 years of governing the only thing

that this society cares about is money." "An entrepreneur emphasizes only that he has a few dozen enterprises; the government emphasizes only that it has a few billion dollars of hard currency in stock; and even underground investment companies will boast that they have a variety of enterprises. But no one cares where the money comes from, since money buys everything. Because everyone tries any means to get money, people help tyrants earn money, and distort right and wrong. Everywhere in Taiwan there is prostitution and gambling. Forced entry to private homes during daylight as well as armed robbery and kidnapping occur frequently. The degree of moral decay is shocking. According to a survey conducted by Ch'en Hung-ming [7115 1347 6900], director of the Taiwan Health Center for Women and Children, 20 percent of young women between the ages of 18 to 25 have had premarital sex. This creates confusion and disorder in society. The 12 December editorial last year in CHINA TIMES said: "Taiwan society is in chaos: there is chaos in transportation, the stock market, commerce, academic thoughts, economic development, the judicial system, politics, upholding truth, and moral principles."

On the surface, materialism seems to be responsible for the deterioration of Taiwan's social order. However, a thorough investigation of the problem will indicate that materialism is not the key issue. In fact, such disorder is created by government encouragement and the connivance of the law. Leaders of the Taiwan Government and other important officials in various administrative departments not only ignore the problem; they also participate in creating the disorder. Underground investment companies in Taiwan have long been regarded as a source of social disorder. The public demanded that the government shut down these companies. However, the government adopted a policy to avoid the major charges and dwelt on the trivial in order to cover up and cheat the news media. An article in MING CHUNG JIH PAO commented that the government banned small and medium-sized underground investment companies three times, but "left the original large investment companies intact; the less law-abiding and the more powerful the companies become, the less likely they are to be banned by government officials. Furthermore, there will be more coverup of these companies by the government." The reason for the coverup is that these large underground investment companies are in one way or another associated with government officials. This article further pointed out, "These underground investment companies are good at gathering power from various circles of the party, the government, and the Army by hiring retired high-ranking officials from the Military Bureau of Investigation, the Bureau of Intelligence, the Police Commission and other public safety agencies, which makes operations easier. The hired generals then bring the virus of economic crime into the Department of Defense and the Executive Yuan." This serious problem "has been ignored by the administration and legislative departments for seven or eight years. The judicial branch either gives light sentences to such crimes or does not press

charges at all. The law enforcement agencies do not take any actions and are consequently regarded as 'paper tigers.'" In Taiwan, collaboration between officials and merchants, between police and robbers is common. In addition, the administration tolerates such crimes. Under the circumstances, how can Taiwan improve its social order?

The unbalanced policy of the Taiwan Government has resulted in an increasingly rapid deterioration of its social order. The regime pays attention only to economic development and neglects the cultural and educational aspects, which have lagged behind. This has produced economic prosperity on the one hand, and a "cultural desert" on the other. Rapid economic development has caused people to change their values. The desire to become rich overnight and opportunistic thinking moves people to take high risks. The emergence of a "cultural desert" has eroded traditional moral principles and

social values. More and more people are pursuing material consumption and decadent lifestyles. Attracted to money and material goods, they break laws and become criminals. Some of Taiwan's renowned academicians observe such government actions with pain. Huang Ch'un-ming [7806 2504 2494], a folklore writer in Taiwan regrets that "We made material gain, but lost people." Another reporter exclaimed, "Taiwan sacrificed public morality, law, environment, welfare, and public safety for material prosperity. In fact, this is nothing to be proud of."

In summary, the deterioration of Taiwan's social order is not "temporary," nor "out of track." This deterioration is an unavoidable consequence of Taiwan Government policy to promote and tolerate such disorder. This disorder is like a virus and cannot be cured by the twelve-word prescription alone: "We love our hometown, and reach out to help each."



### Full Text of New Basic Law Draft

90ON0441A Taipei TZULI WANPAO  
in Chinese 9 Feb 90 p 5

[Article by staff reporter: "The Basic Law of the Republic of China (Draft)"]

[Text] This morning four independent members of the National Assembly, Zhang Wenying [1728 2429 5391], Su Yufu (5685 5940 1133), Wu Fengshan (0702 6265 1472), and Chen Zhao'e (7115 3564 1230), held a press conference at the Sun Yat-sen Memorial in Taipei, where they announced their proposed draft of the "Basic Law of the Republic of China."

#### Preface

In light of the fact that ruling power does not extend over Mainland China, the president convoked a Constitutional Convention in 1990 for the purpose of formulating the Basic Law of the Republic of China. This Basic Law is to be promulgated throughout the Taiwan region and is to be observed by all. The Republic of China Constitution promulgated in and effective since 1947 is to be temporarily inoperative.

#### Chapter 1. General Provisions

**Article 1.** The Republic of China shall be a democratic republic ruled by law.

**Article 2.** The sovereignty of the Republic of China shall reside in the whole body of its citizens.

**Article 3.** Persons possessing the nationality of the Republic of China shall be citizens of the Republic of China.

**Article 4.** The territory of the Republic of China shall consist of all regions over which ruling power extends.

**Article 5.** The national flag of the Republic of China shall be of red ground with a blue sky and a white sun in the upper left corner.

#### Chapter 2. Rights and Duties of the People

**Article 6.** The dignity of the people shall not be violated, and all state organs and all citizens shall have the duty to honor and protect this dignity.

**Article 7.** All citizens of the Republic of China, irrespective of sex, religion, race, or party affiliation, shall be equal before the law.

**Article 8.** Personal freedom shall be guaranteed to the people. Except in case of flagrante delicto as provided by law, no person shall be arrested or detained otherwise than by a judicial or police organ in accordance with the procedure prescribed by law. No person shall be tried or punished otherwise than by a law court in accordance with the procedure prescribed by law. Any arrest, detention, trial, or punishment, which is not in accordance with the procedure prescribed by law may be resisted.

When a person is arrested or detained on suspicion of having committed a crime, the organ making the arrest or detention shall in writing inform the said person and his designated relative or friend of the grounds for his arrest or detention, and shall, within 24 hours, turn him over to a competent court for trial. The said person, or any other person, may petition the competent court for a writ to be served within 24 hours on the organ making the arrest for the surrender of the said person for trial.

The court shall not reject the petition mentioned in the preceding paragraph, nor shall it order the organ concerned to make an investigation and report first. The organ concerned shall not refuse to execute, or delay in executing, the writ of the court for the surrender of the said person for trial.

When a person is unlawfully arrested or detained by any organ, he or any other person may petition the court for an investigation. The court shall not reject such a petition, and shall, within 24 hours, investigate the action of the organ concerned and deal with the matter in accordance with law.

**Article 9.** Except for those on active military service, no person shall be subject to trial by a military tribunal.

**Article 10.** The people shall enjoy freedom of residence and change of residence.

**Article 11.** The people shall enjoy freedom of speech, teaching, writing, and publication. The freedom to learn shall be guaranteed to the people, and prior restraints shall be prohibited.

**Article 12.** The people shall enjoy the freedom of private correspondence.

**Article 13.** The people shall enjoy the freedom of religious belief.

**Article 14.** The people shall enjoy the freedoms of assembly and of association.

**Article 15.** The right of existence, the right of work, the right of property, and the right to seek wealth shall be guaranteed to the people.

**Article 16.** The people shall have the right to present petitions, lodge complaints, and institute legal proceedings.

**Article 17.** The people shall enjoy the rights of election and recall.

**Article 18.** The people shall enjoy the right to take public examinations and hold public offices.

**Article 19.** The people shall have the duty to pay taxes in accordance with law.

**Article 20.** The people shall have the duty to perform military service during times of war. During times of peace, the nation's military shall rely primarily upon troop recruitment.

**Article 21.** The people shall have the right and the duty to receive a citizen's education.

**Article 22.** All other freedoms and rights of the people that are not detrimental to social order or the public interest shall be guaranteed under the Basic Law.

**Article 23.** None of the freedoms and rights enumerated in the preceding articles shall be restricted by law except when necessary for the public welfare.

**Article 24.** Any public functionary who, in violation of law, infringes upon a freedom or right of any person shall, in addition to being subject to disciplinary procedures in accordance with law, be held responsible under criminal or civil laws. The injured person may, in accordance with law, claim compensation from the state for damage sustained.

### Chapter 3. Presidential Election Conventions

**Article 25.** The president and vice president shall be elected at a Presidential Election Convention.

**Article 26.** A Presidential Election Convention shall be convoked by the president of the National Assembly, and shall be composed of the deans of the universities public and private, national assemblymen, and municipal and county legislators. A convention shall be convoked 30 days prior to the end of the current president's term of office at the seat of the central government. The convention shall not run beyond seven days.

**Article 27.** The Presidential Election Convention shall be dissolved immediately upon completion of the election.

**Article 28.** The rules for conducting a Presidential Election Convention shall be prescribed by law.

### Chapter 4. The President

**Article 29.** The president shall be the head of the state and shall represent the Republic of China in foreign relations.

**Article 30.** The president shall rise above partisanship during his term of office, and when taking the oath of office shall formally announce his withdrawal from any political party he may belong to.

**Article 31.** The president shall, in accordance with law, promulgate laws and issue mandates with the countersignature of the president of the Executive Yuan or with the countersignatures of both the president of the Executive Yuan and the ministers or chairmen of commissions concerned.

**Article 32.** The president shall, in accordance with the provisions of this Basic Law, exercise the powers of concluding treaties, declaring war, and making peace.

**Article 33.** The president may, in accordance with law, declare martial law with the approval of, or subject to confirmation by, the National Assembly. When the

National Assembly deems it necessary, it may by resolution request the president to terminate martial law.

**Article 34.** The president shall, in accordance with law, exercise the power of granting amnesties, pardons, remission of sentences, and restitution of civil rights.

**Article 35.** The president shall, in accordance with law, appoint and remove civil and military officers.

**Article 36.** The president may, in accordance with law, confer honors and decorations.

**Article 37.** Any citizen of the Republic of China who has attained the age of 40 years may be elected president or vice president.

**Article 38.** The president and the vice president shall serve a term of six years. They may be reelected for a second term.

**Article 39.** The president shall, at the time of assuming office, take the following oath:

"I do solemnly and sincerely swear before the people of the whole country that I will observe the Basic Law, transcend partisanship, faithfully perform my duties, promote the welfare of the people, and safeguard the security of the state, and will in no way betray the people's trust. Should I break my oath, I shall be willing to submit myself to severe punishment by the state. This is my solemn oath."

**Article 40.** In case the office of the president should become vacant, the vice president shall succeed until the expiration of the original presidential term. In case the office of both the president and vice president should become vacant, the president of the National Assembly shall exercise their powers; and in accordance with Article 26 of this Basic Law, an extraordinary Presidential Election Convention shall be convoked for the election of a new president and a new vice president who shall hold office until the completion of the term left unfinished by the preceding president.

In case the president should be unable to attend to office due to any cause, the vice president shall act for the president. In case both the president and vice president should be unable to attend to office, the president of the National Assembly shall act for the president.

**Article 41.** The president shall be relieved of his functions on the day on which his term of office expires. If by that time the succeeding president has not yet been elected, or if the president-elect and the vice president-elect have not yet assumed office, the president of the National Assembly shall act for the president.

**Article 42.** The period during which the president of the National Assembly may act for the president may not exceed three months.

**Article 43.** The president shall not, without having been recalled, or having been relieved of his functions, be

liable to criminal prosecution unless he is charged with having committed an act of rebellion or treason.

After serving out his term and vacating office, the president shall be accorded the courteous reception of the state.

#### Chapter 5. Administration

**Article 44.** The Executive Yuan shall be the highest administrative organ of the state.

**Article 45.** The Executive Yuan shall have a president, a vice president, a certain number of ministers and chairmen of commissions, and a certain number of ministers without portfolio.

**Article 46.** The president of the Executive Yuan shall be nominated by the president and recommended by either the majority party of the National Assembly or a majority party coalition, and shall be appointed with the consent of the National Assembly. He may serve concurrent terms when selected to do so.

**Article 47.** The vice president of the Executive Yuan, ministers and chairmen of commissions, and ministers without portfolio shall be appointed by the president of the republic upon the recommendation of the president of the Executive Yuan.

**Article 48.** The Executive Yuan has the duty to present to the National Assembly a statement of its administrative policies and a report on its administration. While the National Assembly is in session, members of the National Assembly shall have the right to question the president and the ministers and chairmen of commissions of the Executive Yuan.

If the National Assembly is dissatisfied with the performance of the president of the Executive Yuan, it may by majority vote select a successor and demand that the president recall the existing president of the Executive Yuan. The president shall accede to the demand of the National Assembly and shall appoint the chosen successor.

The vote of dissatisfaction and the election of a successor may be conducted up to 48 hours apart.

If, having demanded a vote of confidence from the National Assembly, the president of the Executive Yuan fails to garner a majority of support, he must demand that the president dissolve the National Assembly within 20 days. However, if a majority of the National Assembly selects a new president of the Executive Yuan, the power to dissolve the National Assembly shall be lost.

The proposal for a vote of satisfaction and its resolution may be separated by an interval of up to 48 hours.

**Article 49.** The Executive Yuan shall have an Executive Yuan Council, to be composed of its president, vice

president, various ministers and chairmen of commissions, and ministers without portfolio, with its president as chairman.

**Article 50.** The Executive Yuan shall, three months before the beginning of each fiscal year, present to the National Assembly the budgetary bill for the following fiscal year.

**Article 51.** The Executive Yuan shall, within four months after the end of each fiscal year, present final accounts of revenues and expenditures to the National Assembly.

**Article 52.** The organization of the Executive Yuan shall be prescribed by law.

#### Chapter 6. Legislation

**Article 53.** The National Assembly shall be the highest legislative organ of the state, to be constituted of members elected by the people. It shall exercise legislative power on behalf of the people.

**Article 54.** The National Assembly shall have the power to decide by resolution upon statutory or budgetary bills, bills concerning martial law, amnesty, declaration of war, conclusion of peace, treaties, redress, proposed rectification, and other important affairs of the state.

**Article 55.** The National Assembly shall be composed of 100 members, three-fourths of whom are to be elected by popular vote in the municipalities and counties, and one-fourth of whom are to be recommended by the political parties based upon the proportion of the popular vote won by each party.

**Article 56.** Members of the National Assembly shall serve a term of four years, and shall be eligible for reelection. The election of members of the National Assembly shall be completed within three months prior to the expiration of each term.

**Article 57.** The National Assembly shall have a president and a vice president, both of whom shall be elected by and from among its members.

**Article 58.** The National Assembly may set up various committees. Such committees may invite government officials and private persons concerned to be present at their meetings to answer questions.

**Article 59.** The National Assembly shall hold two sessions each year, and shall convene of its own accord. The first session shall last from February to the end of June, and the second session shall last from August to the end of December. When necessary, a session may be prolonged.

**Article 60.** The National Assembly shall not make proposals for an increase in the expenditures listed in the budgetary bill presented by the Executive Yuan.



**Article 61.** At the meetings of the National Assembly, the president of the Executive Yuan and the various ministers and chairmen of commissions may be present to give their views.

**Article 62.** Statutory bills passed by the National Assembly shall be transmitted to the president of the republic and to the Executive Yuan. The president shall promulgate them within 10 days after receipt thereof.

**Article 63.** No member of the National Assembly shall be held responsible outside the Assembly for opinions expressed or votes cast during Assembly meetings.

**Article 64.** No member of the National Assembly shall, except in case of flagrante delicto, be arrested or detained without the permission of the National Assembly.

**Article 65.** The organization of the National Assembly shall be prescribed by law.

#### Chapter 7. Judiciary

**Article 66.** There shall be various levels of courts which shall have the power to rule in all cases civil, criminal, and administrative.

**Article 67.** The Supreme Court shall be composed of nine grand justices who shall be nominated and, with the approval of the National Assembly, appointed by the president.

**Article 68.** Judges shall not be affiliated with any political party.

**Article 69.** Judges shall hold office for life. No judge shall be removed from office unless he has been found guilty of a criminal offense or subjected to disciplinary measures, or declared to be under interdiction. No judge shall, except in accordance with law, be suspended or transferred or have his salary reduced.

**Article 70.** The organization of the various levels of courts shall be prescribed by law.

#### Chapter 8. Powers of the Central and Local Governments

**Article 71.** The state shall be composed of a central government and municipal and county governments.

**Article 72.** In the following matters, the central government shall have the power of legislation and administration:

1. Foreign matters.
2. National defense and military affairs concerning national defense.
3. Nationality law and criminal, civil, and commercial laws.
4. The judicial system.

5. Aviation, national highways, state-owned railways, navigation, and postal and telegraph services;

6. Central government finance and national revenues.

7. Demarcation of national, municipal, and county revenues.

8. State-operated economic enterprises;

9. The currency system and state banks.

10. Weights and measures.

11. International trade policies.

12. Financial and economic matters affecting foreigners or foreign countries.

13. Other matters relating to the central government as provided by this Basic Law.

**Article 73.** The central government shall have the power to prescribe general laws concerning municipal and county government.

**Article 74.** The municipalities and counties shall elect their mayors, county heads, and respective legislators in accordance with their general grant of authority, and shall manage their local government affairs.

#### Chapter 9. Fundamental National Policies

**Article 75.** The national defense of the Republic of China shall have as its objective the safeguarding of national security and the preservation of world peace.

**Article 76.** The land, sea, and air forces of the nation shall be loyal to the state, shall be above personal, regional, or party affiliations, and shall not engage in economic enterprises.

**Article 77.** No political party and no individual shall make use of armed force as an instrument in a struggle for political power.

**Article 78.** No military man in active service may concurrently hold a civil office. And no military man may be elected president or vice president or serve as a government official within three years of his separation from the military.

**Article 79.** The foreign policy of the Republic of China shall, in the spirit of independence and self-initiative and on the basis of the principles of equality and reciprocity, cultivate good-neighborliness and respect treaties and principles of international law.

**Article 80.** All land within the territory of the Republic of China shall belong to the citizens as a whole. Private ownership of land acquired by the people in accordance with law, shall be protected and restricted by law. Privately owned land shall be liable to taxation according to its value, and the government may buy such land by paying its value to the owner.

Mineral deposits that are embedded in the land, and natural power which may, for economic purposes, be utilized for the public benefit, shall belong to the state, regardless of the fact that private individuals may have acquired ownership of the land and will be affected.

**Article 81.** With respect to private wealth and privately operated enterprises, the state shall restrict them by law if they are deemed detrimental to a balanced development of the national wealth and the people's livelihood.

Cooperative enterprises shall receive encouragement and assistance from the state.

Private citizens' productive enterprises and foreign trade shall receive encouragement, guidance, and protection from the state.

**Article 82.** The state shall protect productive enterprises and the environment, and shall provide relief to the unemployed.

**Article 83.** Within the territory of the Republic of China, all goods shall be permitted to move freely from place to place.

**Article 84.** The state shall provide suitable opportunities for work to those who are able to work.

**Article 85.** The state, in order to improve the livelihood of laborers and farmers and to improve their productive skills, shall enact laws and carry out policies for their protection.

**Article 86.** Capital sources and labor shall, in accordance with the principle of harmony and cooperation, promote productive enterprises. Conciliation and arbitration of disputes between capital sources and labor shall be prescribed by law.

**Article 87.** The state, in order to promote social welfare, shall establish a social insurance system. The state shall provide the appropriate assistance and relief to the aged and the infirm who are unable to earn a living, and to victims of unusual calamities.

**Article 88.** The state, in order to consolidate the foundation of national existence and development, shall protect motherhood and carry out a policy of promoting the welfare of women and children.

**Article 89.** The state, in order to improve national health, shall establish extensive services for sanitation and health protection, and a system of public medical service.

**Article 90.** Education and culture shall aim toward the development among the citizens of the national spirit, a spirit of self-government, national morality, good physique, scientific knowledge, and the ability to earn a living.

**Article 91.** All citizens shall have an equal opportunity to receive an education.

**Article 92.** The state shall guarantee the livelihood of those who work in the fields of education, science, and the arts, and their remuneration shall be increased as the national economy develops.

**Article 93.** The state shall reward scientific discoveries and creations, and shall protect the historical places and objects of the nation and its localities as they pertain to history, culture, language, and the arts.

#### **Chapter 10. Enforcement and Amendment of the Basic Law**

**Article 94.** The term "law," as used in this Basic Law shall denote any legislative bill that shall have been passed by the National Assembly and promulgated by the president of the republic.

**Article 95.** Amendments to the Basic Law shall be made in accordance with the following procedure: An amendment proposal shall be made by a one-fourth vote of the National Assembly sitting with at least three-fourths of its members present. For an amendment to be ratified, three-fourths of the members present must approve it.

#### **Publisher Wu Feng-shan Discusses Political Trends**

WON03704 Hong Kong CHING PAO [THE MIRROR] in Chinese No 151, 10 Feb 90 pp 74-77

[Article by Chen Chengli (7115 6134 0536): "Wu Feng-shan (0702 0023 1472) Discusses Taiwan's Political Situation and Relations Between the Two Sides of the Taiwan Strait"]

[Text] Mr. Wu believes that Taiwan's entire politics are now moving in the two major directions of party politics and democracy politics. In today's Taiwan, proponents of Taiwan's independence or unification with the mainland are in the minority. The majority hopes to maintain the status quo, that is, to go on, as now, existing separately from the mainland.

Mr. Wu Feng-shan is the executive manager of TZULI WANPAO, one of Taiwan's three large newspapers. On 12 January he agreed to be interviewed by me in Hong Kong and gave in detail his personal views on such questions as the evolution of the political situation on Taiwan, the special characteristics of the Li Teng-hui era, the large-scale local elections, the "market" for "Taiwan independence," the mental attitude of the Taiwanese, and the future relations between the two sides of the Taiwan Strait. His talk—the gist of which is given here based on an edited tape recording—is very helpful in understanding the true situation and conditions in Taiwan. As it was not again checked by the interviewee, mistakes and omissions are my responsibility.

### Taiwan in the Transitional Stage of Democratization

Chen: Early in March, Taiwan will hold presidential and vice presidential elections, and it is said that the incumbent president, Li Teng-hui, has every chance to be reelected. As a newspaperman, can you give a comparison of obvious differences between the Li Teng-hui era and the Chiang Ching-kuo era? What is your personal assessment of Li Teng-hui?

Wu: Actually, it has been my custom to divide Taiwan's history of the past 40 years into four phases.

The first phase starts in 1949 with Chiang Kai-shek's defeat on Mainland China and his retreat to Taiwan and lasts up to Taiwan's mutual defense treaty with the United States. The second phase is from the signing of the mutual defense treaty to the death of Chiang Kai-shek. The third phase is from Chiang Ching-kuo's assumption of office to Chiang Ching-kuo's death. The fourth phase is from Li Teng-hui's assumption of power to the present.

During the first phase, it was obviously only a question of survival for Taiwan. At that time, economic development was completely out of the question, and, furthermore, Taiwan's position in the international community was extremely difficult. Later, when the Korean war broke out, the U.S. Government reevaluated the whole Far Eastern situation and came to the conclusion that it must support the regime on Taiwan to prevent a further spread of communism. As a consequence, the United States and Taiwan signed the mutual defense treaty. This lent stability to Taiwan.

Having gained stability, Taiwan was, of course, eager to develop its economy. After a land reform, it developed light industry, and then other comparatively important industries. During this phase, a very large proportion—generally about 70 percent—of its expenditure was military expenditure, so that financial resources to develop the national economy were extremely restricted. Taiwan's achievements in economic construction were therefore rather limited during that time. Only after Chiang Ching-kuo assumed office, was the political myth of the so-called "reconquest of the mainland" truly abandoned. It became well understood that the KMT [Kuomintang] regime must take root on Taiwan, and out of this reasoning the so-called 10 large construction projects came about—the speedway, the steel plant, the shipyard, Taichung Harbor, and so on. With these 10 large construction projects, Taiwan began to realize that it had to truly develop its economy, and began to understand that Taiwan must see itself as a type of political entity separate from the mainland. During this phase, that is, during the 16 years from 1972 to 1988, when Chiang Ching-kuo was head of the Executive Yuan and held the office of president for a second time, much progress was achieved in Taiwan. Half a year before his death, he lifted restrictions on starting new newspapers,

lifted martial law, lifted restrictions on forming new political parties, and thus led Taiwan into a new historical phase.

The fourth phase is, of course, the Li Teng-hui era. Many people believe that this phase can turn out well, but may also turn out badly, because martial law had lasted too long. Taiwan's entire society was naturally developing, but martial law had been like a lid firmly placed on a pot. Once the lid was removed, the entire social force exploded, and social security, economic order, and political order are in shambles. If we view this situation as a temporary one, and if Taiwan is able to overcome its difficulties, it will enter a period of true democracy. On the other hand, if Taiwan is not able to overcome its difficulties, that will mean real trouble for Taiwan. We therefore say that the fourth phase, which we are now encountering, can be a very good, but possibly also a very bad phase. However, I personally believe that Taiwan can make the transition toward a good further development.

### The Li Era, an Era of Unostentatious Leadership

Chen: Analyzing the 40 years of Taiwan's history as divided into four phases is very unique. Can you analyze what obvious differences there are between the last two phases?

Wu: The first obvious difference is that the Chiang Ching-kuo era was an era of martial law and that the Li Teng-hui era is an era after martial law has been lifted. The second difference is that the Chiang Ching-kuo era was an era of strong-man politics while the Li Teng-hui era is an era of unostentatious leadership. A third difference is that the Chiang Ching-kuo era was an era with a non-Taiwanese president, but a Taiwanese is president in the Li Teng-hui era. However, the greatest difference is that during the Chiang Ching-kuo era social order was very well maintained, politics were well controlled, and at least on the surface everything was stable, while the Li Teng-hui era is not an era of well-regulated orderliness. There is instability in the economic order as well as in the political order, with daily squabbles and quarrels. Social forces have exploded, and every day there are street demonstrations. Labor has awakened to new awareness, peasants have awakened to new awareness, and there seems no way to control them. Everyone is out to fight for what he considers his due rights, but everyone believes in a better tomorrow, because everyone is allowed to speak out and is allowed to fight for the things that he believes are rightfully due him. The Taiwanese especially no longer have the feeling that they are oppressed by a foreign regime, since the president is after all a Taiwanese. This is the biggest difference between the two phases.

### 40-Odd Parties Have Competed in an Election for the First Time

Chen: Last month, Taiwan held large-scale local elections. What is your assessment of the outcome of these elections?



Wu: Since the withdrawal of the Japanese in 1945 and the subsequent arrival of the KMT, even up to this year's elections, Taiwan has always had two camps in its elections, one was the KMT and one were the those outside the KMT. However, in this year's election for the first time there were 41 political parties, apart from the KMT, which all contended with the KMT in the election.

During the time of the "tangwai," there was, besides the KMT, no one else but the "tangwai." The KMT was the ruling party, and the "tangwai" suffered oppression. However, in the present election, everyone could compete in comparative fairness. This was not merely a matter between the KMT and the "tangwai," but a competition between the KMT and 41 political parties. I therefore believe that we must view the present election from two angles. If we look at it only from the aspect of the past situation, when there were only the two—the KMT and the "tangwai"—then the present election is a large defeat for the KMT. But on the other hand, if we compare the fate of the KMT with the fate of the other 41 political parties, I think the fact that one political party could still get 58 percent of the vote when competing with 41 other parties, can only be counted as a great victory for that party. Of course, the Democratic Progressive Party (DPP) got 28 percent of the vote, and that is also some progress on their part. Looking at the situation from these angles leads to the conclusion that the entire political scene on Taiwan is now moving toward party politics and democratic politics.

The present election made the DPP very happy, as they claimed victory, but actually the DPP did not win a victory. The KMT was very dejected after the election, as they thought they had been defeated, but actually the KMT had not been defeated. However, in the capacity of a news reporter or common citizen, we want the KMT to feel that they have been defeated, because only then will the KMT speed up its reform. We also want the DPP to feel that they have won a victory, because this may then imperceptibly engender in them a sense of responsibility. For instance, if six county magistrate and city mayoral seats were captured by the DPP in the present election, these persons will have previously most vigorously opposed the county magistrates and city mayors who had been KMT party members. Now that they, the members of the DPP, have themselves moved into these offices, the public at large will observe their conduct. On the whole, therefore, the present election has been very satisfactory. In a word, nobody lost and nobody won.

#### **Proponents of Taiwan Independence and Unification With the Mainland Have Also Been Elected**

Chen: On the eve of the present election, "Taiwan independence" had been very much on the rise, and proponents of independence for Taiwan had been very active, while the KMT did not take decisive action to stop them, to the great irritation of the Chinese Communists. Some say the increased noise of "Taiwan independence" was merely a kind of strategy adopted in support of the present election, and that once the elections are

over, the "Taiwan independence" clamor will die down. Do you agree with this explanation? Do you believe the proposal of independence for Taiwan may become a political postulate of the KMT?

Wu: Taiwan has always had a "Taiwan independence" movement; it has a history of several decades and has never stopped. The headquarters of the movement have at times been in the United States, at times in Canada, and at times in Tokyo, even in Europe and, for a short time, in Brazil. Some Taiwanese believe that Taiwan has no relation with the Chinese mainland and should therefore establish itself as an independent country. People arrive at this idea either out of idealism or out of a certain resentment. There has never been an investigation, survey by questionnaire, or by ballot on Taiwan to find out how many people hope for independence for Taiwan or for its reunification with the mainland, so nobody knows the exact answer to how many there are. However, during the present elections, some people made independence for Taiwan one of their demands, which happened for the first time in an election. We regard this as progress in freedom and openness of expression. As to why foreign quarters have found the clamor for Taiwan independence as having specially increased, the reasons are:

There are two stimulating elements affecting the forces that propose independence for Taiwan, one is the KMT and one is Beijing. The KMT this time purposely allowed this clamor to grow loud, with the object of covering up many of its mistakes committed before the election. To put it bluntly, it was done to divert the attention of the masses, which may be said to be one of the election tactics of the KMT. Beijing, on the other hand, takes a so-called Chinese nationalistic standpoint and, of course, wishes to annihilate "Taiwan independence." As this is going on, the KMT has every intention to stir up more clamor about "Taiwan independence," and the Chinese Communists, in addition, most noisily abuse "Taiwan independence," so that foreign circles get the impression that the clamor for "Taiwan independence" is getting much louder.

Actually, I can tell you that in this election not only a number of proponents of Taiwan independence were elected, but a large number of proponents of reunification with the mainland were also elected. This is a very interesting circumstance. I believe in a marketplace where there is freedom of speech. It is not at all strange that this should occur. I can therefore tell you that there is a market on Taiwan for Taiwan independence and also a market for reunification with the mainland. As to what form the proposal for Taiwan independence will assume in future, I don't know yet.

#### **The Majority on Taiwan Wish To Maintain the Status Quo**

Chen: It is my impression that the result of a recent survey by the Taiwan Public Opinion Poll Foundation was that the proportion of those in favor of Taiwan's

independence has gone up, but that the proportion is still very small within the entire Taiwan society, while a large proportion of Taiwanese favor reunification.

Wu: I believe that the number of those in favor of Taiwan's independence are definitely not as small as given in the opinion poll figures. I am quite sure of that. Because it is still a criminal offence to propose independence for Taiwan, this kind of questionnaire is of limited usefulness. Those on Taiwan who propose reunification are absolutely a minority. I don't know how many are in favor of independence and how many in favor of reunification, but I can tell you that people of this frame of mind are certainly not the majority. The majority hopes to maintain the status quo, that is, to remain separated as Taiwan is now.

I am a Taiwanese and therefore know well the psychology of the Taiwanese. During the last 40 years, Taiwan has experienced a period of economic development. In the past, there were many very poor people. Later, by their own efforts, they were able to buy houses and motorcars. They will, therefore, appreciate and treasure very much what they have gained and be very wary of great changes. As far as these people are concerned, Taiwan independence would be a great change and reunification would be a great change. They would certainly not want to see these conditions come about. Their only hope is that Taiwan will make further progress and get a larger dose of democracy and freedom, but the most important thing is that there must be peace and security. This sentiment is very evident.

#### **Taiwan Believes the Communists Are Not Strong Enough To Seize Taiwan**

Chen: Do the Taiwanese fear that the Chinese Communists will one day unleash military force against Taiwan?

Wu: The Chinese have had a longstanding tradition in which they evaluated particular emperors of the past as good or bad according to whether the emperor enlarged China's territory or whether he lost territory. Every comrade in Beijing's Zhongnanhai complex, be it Mao Zedong or Deng Xiaoping or anyone after them, is still affected by this conventional influence. How could they face history, if Taiwan becomes independent? That is why Beijing keeps talking over and over again of reunification, even if it should take thousands of years to resolve this problem, but at present they still keep talking. We all understand this mentality on the part of Beijing. But are the Chinese Communists strong enough to capture Taiwan? I believe they simply don't have the strength to do it.

Chen: What makes you think so?

Wu: That is an easy question. We know that the ultimate objective of fighting is to occupy, only that will count as victory. Occupying has an offensive character, different from the defensive. Crossing the Taiwan Strait is not the same as crossing a river. If one man gets over, there will be a need for ammunition, guns, field rations, and

bedding, and also armored vehicles. It means that each soldier crossing the strait to fight could be successful only if his force is five times the strength of his opponent and, in addition, if he has a very strong logistic force backing him up. Taiwan has a military force of somewhat over 300,000 men, wouldn't that mean that the Chinese Communists would need a military force of 1.5-2 million men to attack Taiwan? The Chinese Communists presently simply don't have so powerful a Navy. This is a well-known fact. According to the present pace of Communist China's military expansion, they will simply not have the strength to attack Taiwan for the next 10 years. But they will be capable of warfare of a harassing nature, and that they will probably do, but for a true attack on Taiwan, Beijing has not the strength. The Taiwanese have therefore slowly come to realize that, whatever you people in Beijing may shout and shout, we just will not listen to you, because you just don't have the strength anyway.

Chen: Are there many people now on Taiwan who think like you?

Wu: Most of the intellectuals, and the common people will also slowly do so, because newspaper reporters and intellectuals are able to speak and to analyze, and the common people will, of course, see and hear what the real situation is. I, therefore, don't believe that Beijing's threats will have any fatal effects on Taiwan. Of course, people with brains, whether in government or common people, all hope that the two sides of the Taiwan Strait will get along peacefully; they want no quarrel and even less any fighting. As to reunification, that is 100 or 200 years in the future. What we want for the present is peaceful competition.

#### **The Future Relation Between the Two Sides of the Strait To Be One of Getting Along Peacefully With Each Other**

Chen: What do you imagine will be the future relations between the two sides of the Taiwan Strait?

Wu: I think there is no alternative but this one way: peacefully getting along with each other. I believe that, in the next one or two years, if everyone gets along well, Taiwan can make a great contribution to the modernization of the Chinese mainland, and the Chinese Communists can genuinely benefit thereby. If they would terrorize or beat Taiwan merely for the purpose of formal unification, what good would that do the Chinese Communists? From the way that Beijing treats the Hong Kong question we can see that the Chinese Communists will not act in such a foolhardy way. Now they don't have the strength to attack Taiwan, and even if they should have the strength one day, I believe the Chinese Communists will not act in a foolhardy way, because what they would get out of it would not be beneficial to Communist China. Moreover, I also have the feeling that the Chinese Communist leadership will ultimately look at the problem of the two sides of the Taiwan Strait in a very realistic way. In that respect I am rather optimistic.

### After the 4 June Incident, Taiwanese Will Appreciate Taiwan More

Chen: Has the 4 June incident changed the views of Taiwanese regarding the mainland?

Wu: There has been a very meaningful change. After the 4 June incident in Beijing, the people on Taiwan suddenly found that Taiwan is really much better than the mainland. In the past, many people felt that on both sides of the strait it is rule by one party, it is that way with the KMT and it is that way with the CPC. However, after the 4 June incident, the views of the Taiwanese seem to have changed suddenly. To be frank, the things that happened in Beijing in June were only that a crowd of people in Tiananmen Square demanded certain things, and this kind of thing seems to happen every day on Taiwan since lifting martial law. Every day, crowds in Taipei demand this or that. If we compare the two situations, then we feel the Taiwanese are much more fortunate than the people on the mainland, and that the situation on Taiwan is really much better than on the mainland. Moreover, frankly, many Taiwanese increasingly look down upon mainlanders; they think that that high-pressure rule there is really too severe.

### What Role Is the TZULI Newspaper Chain Playing?

Chen: As a responsible staff member in one of Taiwan's three large newspaper chains (this refers to the CHINA TIMES, LIEN HO PAO, and the TZULI WANPAO chains) what role, in your opinion, is the TZULI WANPAO chain playing on Taiwan?

Wu: We started TZULI WANPAO 42 years ago, TZULI TSAOPAO two years ago, and TZULI CHOUPAO one year ago for distribution overseas. The three newspapers have one policy. Since ours is local Taiwanese capital, we have no relations to any party or faction. We firmly maintain the ideal of freedom of newspaper publishing. We are therefore upholding the principle of not serving any party or faction, only to work in the interests of Taiwan. Since our newspapers are financed by local Taiwanese capital, we give particular attention to local Taiwanese affairs. During a very long period of the past, we actively reported on the development of democratic politics, economic developments, social justice, and the development of the forces of social justice. We shall in future maintain the same course.

I have often been asked whether there will be a change in the reporting policy of the TZULI newspapers now that the ban on the formation of new parties and on the publication of new newspapers has been lifted. Because martial law had been imposed on Taiwan for a very long time, we have all this time very rigorously criticized the general and specific policies of the ruling party, the KMT. But after martial law was lifted, everybody is now criticizing the government, so that quite a few people are doubtful whether our TZULI newspapers will lose their former special character. Actually, this is not the case. I believe criticizing is one thing, but to be able to stand

aloof is another thing. To give an example, many newspapers are now opposing Taiwan independence, but we have always believed that allowing publication of voices for Taiwan's independence and for reunification is part of freedom of speech. Even though the restrictions on newspapers and on forming political parties has been lifted, quite a number of newspapers will not allow publication of various opinions, only we, who all along have believed in allowing different opinions to be published, believe it to be a manifestation of freedom of speech. Fundamentally, this is considered perfectly justified in democratic advanced countries, but there are still prejudices against it on Taiwan. I therefore believe that strong expressions of criticism is one thing, but being able to maintain a certain righteous spirit is another matter. As far as "maintaining" this spirit is concerned, that is already not very easy. In some affairs the huge differences can frequently be discerned only if they are subjected to a detailed critical analysis.

### Interview With KMT Organization Department Head Siew

Taipei HSIN HSIN WEN in Chinese  
No 147, 1 Jan 90 pp 20, 23-24

[Article by Yeh Ch'i-feng (5509 0366 1496): "The Era of Absolute Majority Is Over"]

[Text] Vincent C. Siew [Hsiac. Wan-ch'ang (5618 5502 7022)], the new director of the Kuomintang's (KMT) Organization Department, former deputy director of the Economic Construction Association, is a marked contrast to his predecessor Kuan Chung [7070 0022]. Kuan, who has been called a "fighting general," emphasizes a power-type leadership, whereas Vincent Siew exhibits consensus skills of the Lu Chung-lien [7627 0112 6647] negotiating style. Consensus is the future leadership style toward which the KMT's system of mobilization is geared.

### The Trend Toward Consensus in Staff Development

Siew's involvement with KMT party affairs in the past is a blank, for which he clearly admits ignorance of important party figures. Now that he has been appointed by them to head the KMT's Organization Department, he is much like a white blotter waiting to absorb the color selected by the brushholder. Moreover, Siew "could not say whether or not he liked it," for the day following his appointment, some personnel actions involving several deputies took place, to which he had to admit ignorance.

With respect to this personnel changeover, the Vincent Siew who had been described as "a skilled international negotiator" was unable to exhibit his persuasive talents. While this obviously showed his obedience and respect for arrangements made by his superiors, it was nevertheless a blow of no small scale to his hard-earned reputation in financial and economic circles, and dashed his hopes for popular selection as finance minister.



Placing Siew in a totally unfamiliar KMT party affairs system is equivalent to "transplanting" him into a non-homogeneous environment, toward which he is capable of developing "antibodies" at any time. He carries no burdensome debit from his past, but he also does not have party figures backing him.

In face-to-face heated exchanges with trading partners, Vincent Siew's performance has been matchless. However, when faced with angry peasants on the question of opening Taiwan's markets to foreign agricultural products, Siew's negotiating skills came up short, and he was smeared with eggs thrown at him. Now, an even more unfavorable environment is confronting him, containing what Kuan Chung terms the "factional entanglement of bad influences," what Li Teng-hui terms the "powerless" local party workers, and a rigid organization. It is hard to surmise now whether Siew will encounter embarrassment similar to the egg-throwing incident, or be able to create another personal legend.

However, it can be ascertained that the era for the aggressive style of the fighting general is past, and the era for the Lu Chung-lien style of consolidating resources and moderating friction has dawned, and Vincent Siew is the pawn, as well as the experiment subject, in this new scenario. Following are highlights of an interview Siew granted this reporter.

[Yeh] With regard to this recent personnel change, who notified you? Were you consulted beforehand?

#### **Initial Involvement of Economics and Trade Experts in Party Affairs**

[Siew] I was notified by Secretary General Sung [1345]. He asked for my opinion, but since I was just starting in my new post, I also said that I was not suitable either for my job. Since I am a party member, I cannot say whether or not I like this. If the party wants me, I can only muster up courage to do what is needed.

[Yeh] What do you think is the reason for appointing you to be responsible for the KMT Organization Department? What were the considerations of the KMT Central Committee?

[Siew] I cannot reply to this question, for it is like my guessing at the intentions of my superiors.

[Yeh] Do you think replacement of the three deputy directors in the KMT Organization Department—Chan Ch'un-po [6124 2504 2672], Ching Feng-kang [5427 7685 1511], and Huang Shun-te [7806 7311 1795] with Yu Mu-ming [7599 1970 2494] and Hsu Wen-chih [6079 2429 1807] has anything to do with a complete turnover of "Kuan Chung's people" to suit you?

[Siew] Oh, I am not aware of these appointments. My experience in the past has been in economics and trade, and I do not know some party people very well.

[Yeh] In view of your past experience in economics and trade, and your present involvement in the party organization, do you think there are such backers helping you?

[Siew] Ever since I began working in various government agencies, there have always been people helping me. I think there are many people who want to see a task accomplished. The party is not lacking in talent, so I am sure there are many people helping me.

[Yeh] In this recent personnel turnover, many individuals are transferred from administrative agencies. Do you think such an arrangement will avoid the party's burden to meet the need for "reform in party affairs"?

[Siew] This is not the first time that party personnel have been transferred from administrative agencies. Only this time it has given people a different impression. As party affairs always need harmonious exchanges, personnel transfers from administrative agencies into party organizations can help improve coordination in party administration to better implement party policies.

[Yeh] You have been engaged in much discussion and negotiations in your work abroad over a long time. Now, do you think your present appointment in the KMT organization based on your negotiating skills indicates the end of authoritarian leadership in the organization? And, how do you intend to play your role?

#### **Sincerity, Honesty, Agreement, and Tolerance**

[Siew] I do not feel that the KMT Organization Department needs authoritarian leadership. My idea is emphasis on the cooperative spirit which allows each person to develop his or her own strengths. The KMT Organization Department is concerned with its reputation which requires consolidation of all its resources under one policy goal. The director, along these lines, is not an authoritarian figure. So this situation allows the overall effort toward conformity to move forward even more smoothly.

[Yeh] Do you think there was some problem with conformity in the past?

[Siew] It is not like this. Whatever had been done in the past had been done well. At present, we are faced with reforms that aim to give the people a new image, a new arrangement. Personnel changes are necessary, under the circumstances, whether in the party, in administrative agencies, or even in privately owned corporations.

[Yeh] Since you have not had any experience in party affairs in the past, can you tell us how this job switch has affected you psychologically, and how some of your concepts have changed?

[Siew] Psychologically, I hope I can adopt an honest, sincere, and practical style to strengthen and improve organization work. I have had several job changes in my working life, and this working philosophy has been understood and supported by others in the past.

[Yeh] Because you lack experience in party affairs, how will you deal with attacks from well-heeled party workers should they come up in the future?

[Siew] I do not feel this will happen, as I have never anticipated such problems. I went, as an individual, from the Foreign Ministry to the Bureau of International Trade, and from there to the Economic Construction Association, and have never encountered such attacks. As long as I hold on to an honest and sincere approach in dealing with others, I do not think this will happen.

#### Win or Lose Common in Battle

[Yeh] What do you think are some of your past experiences in foreign affairs, economics, and trade that may be transferrable to your new job in party affairs?

[Siew] First is the idea of an ongoing search for the new and for change. Second is an accommodating attitude that allows for consensus and consideration for others, without being too rigid. Another is honesty in dealings with others, an approach that may not show any result in the short term, but will be able to garner support from others over the long term.

[Yeh] Please give us your views on the defeat suffered by the KMT in the recent election.

[Siew] The outcome was not what we had hoped for, but I do not feel it was a defeat. Because our ideas about elections were still like those we had 20 years ago, and because friendly competition was nonexistent in those days, we had always thought of ourselves as the majority. However, we are presently in an era of competition between political parties, and the present competition still shows the KMT in the majority. Though the KMT is not an absolute majority, it is still the source of expectations and hope for most people. Nevertheless, the gradual reduction from an absolute majority is a warning to the KMT. Such a warning is constructive and significant. Seen from this angle, this election has not been a failure.

[Yeh] Isn't it true though, that the KMT suffered great losses in the number of votes garnered, and in the number of seats retained?

[Siew] We do not base the KMT's success or failure on the number of votes received. Actually, the KMT has a historical mission, which is to allow democratic rule in China to take great strides forward to become a modern nation. Wins and losses in elections are like those in warfare, in that they are not necessarily predictable beforehand. What is important is that elections are fair and honest, open, reasonable, and harmonious. By conducting them in such a manner, the KMT is successful, and has made a great contribution to the nation. It is not necessary to quibble over the number of votes and control of a few towns and counties lost.

[Yeh] How do you intend to improve on organization work for future elections?

[Siew] Organization work should be carried out on a regular daily basis in true service to the people, where the people's wishes are the party's wishes. By following the principle of "supporting (liking) what the people like, and hating what the people hate," all party work should be based on this concept. It should also allow the people to grade the KMT at election time. Only through these measures is there the possibility for the KMT's organization work to cover an even broader base.

[Yeh] The KMT has always said in the past that it was serving the people, but in reality, KMT branches at grassroot levels were quite removed from the people, not just by making insufficient contact, but by conveying the impression of being on a "high horse" as well. Now that you are emphasizing "service to the people" again, do you see any difference between what you want to do, and what is being done at present?

[Siew] It is very simple. I hope that in the future not only will party workers at the grassroots level but all those engaged in elections or administrative work as well participate in activities serving the people. Only in this manner, can the KMT achieve its purpose.

#### Careful Handling of the Faction Problem

[Yeh] At present, the situation linking party branches and factions at the grassroots level is quite serious. In the future, when you promote party activities, how are you going to maintain this relationship with different factions?

[Siew] The existence of factions cannot be ruled out with absolute certainty, for factions exist under political parties in any democratic nation. Nor can it be said that factions are uniquely ours. As long as the interests of factions do not exceed those of the party or those of the nation, but serve the people, the party, and the nation, then factions are but groups of people united together under the party. This is something we can accept.

[Yeh] If your interests were the same, there would be no problem. The problem is that local factions at present are not like those you describe. How will you deal with them?

[Siew] If the goals of these different factions are counter to those of the KMT, I believe they will face careful scrutiny by the KMT and the people. We must exercise care and caution when dealing with this problem of factions. We must keep communication channels open and allow different factions to express their views. If their reasoning truly serves the people, the party should not be too inflexible on original resolutions, policies, and so forth. When these are not suitable, we should listen to these factions.

[Yeh] Some people have criticized the self-evaluation made by the KMT after this election as being of no practical value—that it was only evaluating others after the door had been closed. What are your views on this?

[Siew] I participated in the party's evaluation of Chia-I and production activities. There was no evaluation of others, for we really evaluated ourselves only.

[Yeh] Do you have any plans with regard to the upcoming elections for village chiefs, town mayors, and legislators to represent counties and towns?

[Siew] No. This is a matter taken care of by local party branches early on. We cannot wait until now to make work plans. Now I must travel to various localities to campaign on behalf of party candidates and to get a feel of prevailing views. By sending several of us with no previous party experience to work in this area, we hope to give society and the people a new feeling. If the results of the upcoming local elections are encouraging to us, I believe they will be very helpful toward reforms to be made in the KMT.

[Yeh] Have you ever thought of how you would conduct elections three or four years down the road?

[Siew] No. I do not think of what I would do in this regard three or four years hence. What I think of every day now is that through daily and regular cultivation of support, the great pressure of last minute election support will be eased.

#### **Editorial Calls for Improved Investment Environment**

90OH0429A Taipei CHING CHI JIH PAO in Chinese  
10 Feb 90 p 2

[Editorial: "The Proper Way To Face Wang Yung-ch'ing's Impact"]

[Text] Wang Yung-ch'ing (3769 3057 1987), a leader in Taiwan industrial circles and a responsible person of Taiwan's plastics and related enterprises, on his trip to China last year gave Taiwan a big shock. Taiwan citizens are now only permitted to go to the mainland to visit relatives; going to the mainland for other reasons is prohibited. However, for the sake of the survival and development of Taiwan's plastics enterprises, or expanding to the prospects in the "upper, middle, and lower reaches" of Taiwan's entire petrochemical industry, at this critical juncture of life and death when they cannot survive in Taiwan's environment and are bound to die out tragically in the future, Wang Yung-ch'ing violated government policy. This affair made two problems prominent: The first problem is that the worsening of the investment environment, no matter what reason, wherein lies the crux, and no matter how it should be solved, seem to have come to a point where enterprises like Taiwan Plastics, which is indigenous-focused, have no way to sustain their development. The second problem is that the current government's main policy long ago had no way to deal with the circumstances as the facts required. It can no longer muddle through by turning a blind eye; it must make a fresh start and usher in a time of clear policy.

The worsening of today's investment environment should not result in any serious problems in the economy. This is so especially because the government has vigorously promoted economic liberalization in recent years, further enlarges the space for an enterprise's activity. Even if the New Taiwan currency has risen greatly in value, there is a labor shortage, wages have risen sharply, and environmental protection is strict, there should be the necessary escalation in the economic model-transfer period. In industry, farsighted entrepreneurs do not think that it is impossible to deal with these changes. A large amount of investment to improve the productive forces and to provide good environmental protection not only enhances social responsibility, but also improves the work environment, promotes the staff's "centripetal force" toward the enterprise, displays all the forces of an enterprise, and improves competitive strength. The development of enterprises in Japan in the last 20 years is a clear case in point. In the worsening of our investment environment now, there are noneconomic aspects, which inject into originally purely economic problems, like labor-capital controversies and environmental protection disputes, political and social factors. The lack of reason, the impossibility of linking up and "dredging," as well as the worsening of public order are the keys to the current worsening of the investment environment.

With Taiwan's economic development at its present stage, it should be considered inevitable that there is a phenomenon in which there is a certain concentration of labor forces that do not have comparative economic interests and in which low add-on value industries move abroad. However, to accelerate the readjustment of the industrial structure and to promote industrial upgrading, now is precisely the crucial moment when the development of technological, capital-intensive industries and high add-on value industries requires a large amount of investment. The worsening of the investment environment causes a stagnation in investment, which in turn will have a highly detrimental effect on the development of the domestic economy in the future. Therefore, we suggest that the Executive Yuan, after discovering from the Wang Yung-ch'ing affair what the key is to the current worsening of the economic environment, be bold and rebuild public authority and public trust, do everything according to law and reason, get rid of outside interference, as well as rally public order; and also make a good overall plan for all major construction projects to bring pollution below the state standard. We believe that if this suggestion is carried out by the government, a good investment environment will be rebuilt, the desire to invest will certainly rise, people will not put up pointless resistance, and the harmonious, serene society of the past will be restored.

As for the policy on economic relations and trade with the mainland, we agree with what the government has time and again stressed, namely, the economic relations and trade must be established on the foundation of "Taiwan's stability," but we should not try to evade



reality; reality needs to be faced by coming up with a clear policy. However, we take a cautious attitude toward what some scholars and professionals advocate; namely, the complete opening up of economic relations and trade with the mainland and our countrymen's direct investment in and direct trade with the mainland. At the very least, now is not the time for a complete opening up to the mainland. Besides taking into consideration the political factors that the governments on the two shores of the strait are still in a state of hostility and that the Chinese communists on the mainland have absolutely not abandoned the idea of armed aggression against Taiwan, to guarantee the rights and interests and the safety of investors and traders, it is best that economic relations and trade be indirect. If a fellow countryman goes to the mainland to invest or trade directly, when any dispute or problem crops up, because the mainland considers us to be "people of Taiwan Province," a lawsuit will be brought, and it will be handled by a court according to the law there. If fellow countrymen think the decision in the lawsuit was not rational, it will be impossible for our government to negotiate with or protest to the Chinese communists, it will be impossible to get guarantees for our countryman's property and his interests and rights on the mainland. If our countryman goes abroad, for example to America or Singapore, and in accord with the law there sets up an independent company, the Taiwan parent enterprise through this company invests in or trades with the mainland, and goes its independent way, when there is any dispute or problem, because the transnational enterprise should handle it according to international law or initiate a lawsuit in an international court, or at least the government of the country where that independent company is located should come forward and negotiate with the Chinese communists, the rights and interests of the investor's property will be guaranteed.

Therefore, we think that before the final version of the "Provisional Draft Regulations on Relations Between People in the Taiwan Region and People in the Mainland Region" goes through the legislative process, there should be an announcement of a policy measure on three points relating to what is in them and to economic relations and trade:

First, when people of the Taiwan region want to go to the mainland, they should apply to the competent authorities for a permit. When people of the Taiwan region get the permit and go to the mainland region, they must not engage in activities different from the permit's purpose that are harmful to the state's security or interests.

Thus, this provision would not longer be limited to visits to relatives. All those who engage in cultural, sports, sightseeing, and economic and trade activities would get these permits.

Second, the people of the Taiwan region (including legal persons and groups or other organizations) must not engage in investment or technological cooperation in the mainland region. This provision prohibits direct investment in the mainland, but indirect investment is not prohibited. Some people have suggested that indirect investment should have industrial and other restrictions, but in fact the government can only advise and has no way to control, so there is no need for these restrictions!

Third, the people of the Taiwan region must not engage in trade or other commercial activities with the people of the mainland region (including legal persons and groups or other organizations). However, indirect export and import of goods and labor and the engaging in other commercial activities that do not adversely affect the state's security and economic development are no longer restricted in the permits issued by the Ministry of Economic Affairs.

Before the "Provisional Regulations" can become law, the government, besides announcing the above-mentioned three points as policy should first thoroughly carry them out where no revision is needed. This way, people can begin to abide by them and to avoid a situation in which law-abiding citizens get the shaft. This will also maintain law and order.

#### **Soviet Reporter Plans 2-Week Visit**

*OW0404021890 Taipei CNA in English  
1550 GMT 3 Apr 90*

[Text] Taipei, April 3 (CNA)—A Soviet reporter will arrive here April 8 for a two-week visit in the Republic of China [ROC], the first such visit by a Soviet newsman, the Government Information Office [GIO] announced Tuesday.

Boris A. Pilistiskine, correspondent of the IZVESTIYA newspaper stationed in Mozambique, was recently given an entry visa at the ROC's embassy in South Africa.

GIO said that the Soviet correspondent would visit the Council of Agriculture, grassroots agricultural associations, the China Shipbuilding Corporation, the China Steel Corporation, the Taipei World Trade Center, and Acer Computer Company to enrich his understanding of the ROC's economic development.

### **UK Criticized for Procrastinating on Aid to Vietnam**

*HK1903031390 Hong Kong SOUTH CHINA MORNING POST in English 19 Mar 90 p 2*

[By Fiona MacMaon]

[Text] The Save The Children organisation has attacked the British Government for procrastinating over the question of aid to Vietnam, saying the UK should have taken unilateral action if it really wanted to solve the Vietnamese boat people problem.

The director of the Hong Kong office, Mr Phillip Barker, said he welcomed the recent initiatives proposed by the United Nations High Commissioner for Refugees, Mr Thorvald Stoltenberg, which included a call for an end to the economic freeze on loans from institutions such as the World Bank to Vietnam.

But Mr Barker argued that Britain could have done much to reduce the pressure on Hong Kong if it had made funds available for work inside Vietnam instead of directing all efforts towards getting an agreement on mandatory repatriation.

"The hardship caused to Vietnamese in the camps in Hong Kong this time round results in large measure from the British Government's failure to address the root causes of the problem over the past year.

"Her Majesty's Government has concentrated exclusively on the issue of mandatory repatriation and has ignored the need for development assistance to Vietnam which would help to prevent people from leaving in the first place," Mr Barker said.

He said Save the Children and other British non-government organisations had been pressing the UK Government to make funds available but had always been ignored.

"Her Majesty's Government should have the courage to make a unilateral gesture towards Vietnam without waiting for an agreement on mandatory repatriation.

"Otherwise the burden on the Government and people of Hong Kong will continue to be intolerable," Mr Barker said.

It is believed that Britain is reluctant to give aid to Vietnam because aid is its main bargaining chip in the difficult negotiations with the Vietnamese on mandatory repatriation.

A group of 51 boat people were mandatorily repatriated to Vietnam in December last year, but the Vietnamese Government has since refused to accept any other boat people screened out as non-refugees.

Save the Children has already started on the ground work for developing longterm aid projects in Vietnam.

Their work in the country dates back to 1966.

At the moment, the focus is on health and nutrition, local income generating schemes, disaster preparedness, such as dyke building against floods, and social welfare training.

Local income generating projects already sponsored by Save the Children in Vietnam include assistance to Vietnamese women involved with pig and children rearing.

### **U.S. Pledge, Offer To Resettle Refugees Examined**

*HK1903030590 Hong Kong HONGKONG STANDARD in English 19 Mar 90 p 1*

[By Paul Harrington]

[Text] The United States has pledged a further \$78 million to help resettle Vietnamese refugees, but reiterated its stand against forced returns.

The State Department said President George Bush had released the money from the Emergency Refugee Migration and Assistance Programme.

The bulk of the money is expected to be ear-marked for Hong Kong and channeled through the United Nations High Commissioner for Refugees.

The new money is in addition to U.S.\$11.1 million already pledged to the UN Comprehensive Plan of Action, established to help resettle Vietnamese refugees.

The donations are part of a series of recent announcements geared to show U.S. support and involvement in dealing with the boat people problem.

On Friday U.S. Coordinator for Refugee Affairs Jewel Lafontant, on a trip to London, announced that the U.S. would accept half of all incoming Vietnamese granted refugee status.

While Hong Kong's Refugee Co-ordinator Mike Hanson said the commitment was not new, a spokesman for the U.S. Consulate in Hong Kong said yesterday it was more specific than an earlier deal to take half the refugees arriving in the region as a whole.

What the British and Hong Kong governments want is an easing of U.S. opposition to mandatory repatriation of non-refugees. This is seen as the main obstacle to reaching an agreement on returns with Hanoi.

However, Mrs Lafontant reiterated America's opposition, saying: "It is the United States' held view that no one be sent back involuntarily."

The U.S. initiatives deal only with the 11,304 refugees and not the 43,700 screened-out boat people.

U.S. consulate spokesman Dan Sreebny denied the American help was a token gesture: "We have made a concerted effort and even changed policy to accept refugees from the north."

He said that previously asylum-seekers were accepted from five immigration categories which practically excluded northerners. Now, with no rule changes, they were taking people from a sixth category with no such restrictions.

"They still have to be legitimate refugees but we are specifically looking at the long-staying refugee population," he said.

Altogether Mr Bush released \$25 million from the fund for refugees worldwide.

Mrs Lafontant said that for the current fiscal year, the U.S. allocated 25,000 admissions spaces to Indo-Chinese refugees from first asylum countries.

Another 26,500 spaces had been allocated for refugees in the Orderly Departure Programme, by which Vietnamese go directly to the U.S. from their homeland.

"We are working hard to find a consensus that will preserve first asylum, emphasise voluntary repatriation, ensure fair screening procedures and provide adequate protection for asylum seekers in Hong Kong and for those returned to Vietnam," she said.